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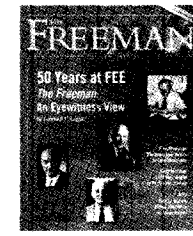
From the President

2 **Still Neither Left Nor Right** *by Richard M. Ebeling*

Columns

4 **Perspective ~ Fifty Years Later** *by Sheldon Richman*
6 **The Trade Deficit Lowers Our Living Standard? It Just Ain't So!** *by Daniel Griswold*
12 **Thoughts on Freedom ~ Capitalism and Natural Disasters** *by Donald J. Boudreaux*
22 **Peripatetics ~ The Day the Glue Came Undone** *by Sheldon Richman*
34 **Our Economic Past ~ Quasi-Corporatism: America's Homegrown Fascism** *by Robert Higgs*
47 **The Pursuit of Happiness ~ The Government-Created Right-to-Work Issue** *by Charles W. Baird*



Page 4

Features

8 ***The Freeman* Through the Years** *by Jude Blanchette*
14 ***The Freeman*: Ideas on Liberty** *by Paul L. Poirot*
17 ***The Freeman*: An Eyewitness View** *by Leonard P. Liggio*
19 **The Function of *The Freeman*** *by Henry Hazlitt*
24 **Reflections on *The Freeman***
28 **Neither Left Nor Right** *by Leonard E. Read*
30 **If There Were No Capitalism** *by William Henry Chamberlin*
36 **Uncle Sam's Flood Machine** *by James Bovard*

Page 28

Book Reviews

41 **The Moral Consequences of Economic Growth by Benjamin M. Friedman** *Reviewed by Richard M. Ebeling*
42 **The Politics of Liberty in England and Revolutionary America by Lee Ward** *Reviewed by Becky Akers*
44 **State of Fear by Michael Crichton** *Reviewed by George C. Leef*
45 **A Patriot's History of the United States: From Columbus's Great Discovery to the War on Terror by Larry Schweikert and Michael Allen** *Reviewed by Burton Folsom Jr.*

Page 44

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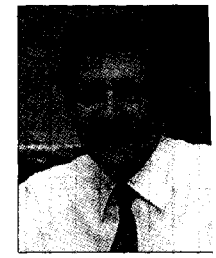
Still Neither Left Nor Right



BY RICHARD M. EBELING

We live in a time when virtually all political parties and candidates stand for the same fundamental ideological idea: state interventionism and compulsory redistribution. This also applies to the mainstream media. Even many who say they adhere to a "pro-market" view of things in fact turn out to be only more "moderate" advocates of government regulations and welfare-state programs.

This is why political labels have become even more meaningless than when the late Leonard E. Read, founder and long-time first president of FEE, penned his article "Neither Left Nor Right" 50 years ago this month in the first issue of *The Freeman* published under the auspices of the Foundation. (See page 28.)

Read pointed out that it was common practice in political discussions in the 1950s to refer to people on "the left" as socialists or communists, and to call those on "the right" fascists or Nazis. American liberals were considered "left-wingers" who were for bigger government and sympathetic to socialism, while conservatives were viewed as "right-wingers" who were "pro-big business" and against the "little man," and therefore closet fascists.

As Read went on to explain, these distinctions were misplaced and irrelevant because both "left-wing" socialists and "right-wing" fascists were in fact merely two variations on the same collectivist theme. Both were devoted to government control of social and economic life, with only minor institutional differences between them.

(Marxian socialists advocated government nationalization and direct central planning of all production, while Italian fascists and German Nazis were for government regulation and planning of all property that remained nominally private. In addition, Marxists spok of an international workers' revolution, in comparison t fascists and Nazis, who talked about nationalist and racia wars. Both socialists and fascists therefore believed tha the world was divided into groups—classes, nations races—that were inherently and inescapably in conflic with each other.)

> "The left" in America still does not get it: freedom is an empty word if private property is not respected and if all human relationships are not based on consent.

Soviet-style socialism is gone, and Mussolini- an Hitler-type fascism is long a thing o the past. What we are left with i American politics are those who cal themselves either "liberals" or "conservatives" and who claim to be ideologically miles apart from each other. But are they really so far apart? On "the left" the liberals say they are for civil liberties and personal freedom, but they continue to advocate government regulation of business, redistribution of wealth, and various forms of social engineering to manipulate human relationships and attitudes.

They never explain how personal freedom can be maintained and civil liberties secured if the government imposes a thought police to enforce "politically correct" conduct and language, or if society is divided into racial, ethnic, and gender groups, some of whom will be given special "affirmative" favors and privileges at the expense of others. Nor can individual freedom be guaranteed when government taxes away the wealth of some to redistribute to others deemed more deserving because of ideological influence or political clout. Likewise, liberty has little meaning when government can seize people's property, regulate their business and industry, and interfere with the peaceful and voluntary exchanges that free

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men agree on for their mutual betterment. "The left" in America still does not get it: freedom is an empty word if private property is not respected and if all human relationships are not based on consent.

On "the right" many conservatives still use the rhetoric of individual freedom and free enterprise, but beneath the surface it is clear that too often this is mere form without content. The mainstream conservative movement in the United States has given up all interest and willingness to oppose and abolish the interventionist welfare state. They have made their peace with the idea that Big Government is here to stay. They believe that the wider American public cannot be weaned from political paternalism; so they have set themselves the more "modest" goal of getting control of the political machinery in order, supposedly, to manage the welfare state more "cost-efficiently" and to use it to direct society in "better" and more "virtuous" directions.

Some 40 years ago conservatives used to tell their opponents on the left that "you cannot legislate morality." Better conduct could only come, they would say, through improvements in the individual hearts of men and through the peaceful possibilities of voluntary association. Rarely is this heard anymore on the conservative "right." Instead, too many conservatives now wish to use the government to socially engineer their fellow Americans, especially the young, through control of various "public" institutions.

The conservative battle cries focus on changing the curriculum in government-run schools and having taxpayers subsidize government "faith-based initiatives." There is too frequently an appeal for "political leadership" to mold and influence the ethical character and conduct of the American people. In addition, government is to establish a new "national greatness" to which all Americans are expected to give their allegiance. These conservatives have apparently forgotten that no moral compass, virtuous conduct, or proper sense of community and citizenship can be fostered through political propaganda or government-school indoctrination. The sources of these virtues are family, friends, faith, and moral philosophy, and these can only fully flourish outside of the political process.

Thus in contemporary America the supposedly liberal "left" and the conservative "right" are really, for the most part, still two variations on the collectivist theme. Both wish to use the power of the government to manipulate the social environment. They may differ in their conceptions of the politically manufactured world they would like to see created, but both these wings of collectivism share the determination to use government coercion to produce the outcomes they desire.

Recasting of Human Nature Rejected

Just as when Leonard Read wrote his article, the true friends of freedom are neither left nor right, as these terms continue to be used today. Classical liberals reject the morality or the ability of politics to either recast human nature or to forcibly create a better world.

The classical liberal, or libertarian, considers the highest political good to be the freedom of the individual. The function of government in a free society is to secure everyone from the predatory conduct of others. The purpose of the law and the police is to see that everyone is protected in his life, liberty, and property. The cornerstone of the ethical society is that human relationships should be based on consent and mutual agreement. The free market is the natural arena of liberty, in which all associations are the result of free choice and no man may be forced into being a tool for another person's purpose.

Society is not some giant chessboard, to use a metaphor of Adam Smith's, on which the social engineer moves us about to suit his political pleasure. Instead, the civil society of free men is one in which we form associations with one another as we find them good, desirable, and beneficial.

The great political dichotomy, therefore, is between those who advocate force (often and perversely in the name of "good intentions" and "noble causes") and those who value freedom (for the flowering of the individual and the fostering of a just and prosperous society). For this reason, the cause of liberty continues to transcend the erroneous distinction between "left" and "right."

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Perspective

Fifty Years Later

I saw my first copy of *The Freeman* sometime in 1967, most likely while I was still a senior in high school in Philadelphia. In those days, the magazine was almost pocket-size. A classmate showed me the issue and suggested I contact the Foundation for Economic Education for more. I had never heard that name before. I sent off a postcard right away and became a regular reader. The rest, as they say, is history.

The Freeman was not my first brush with classical-liberal thinking. I have clear memories of rummaging through the Northeast Regional branch of the Free Library of Philadelphia and finding Albert Jay Nock's *Our Enemy the State*, Herbert Spencer's *Man versus the State*, and Frank Chodorov's *Out of Step*. It was a bracing experience. At the time, I didn't know who these authors were (my Republican parents wouldn't have known about them), but the titles must have appealed to my nature.

I was interested in the American Revolution early on, with its individualistic liberty-versus-power storyline. I eagerly read stories and watched movies and television programs about the era. The bridge between Johnny Tremain and Francis "The Swamp Fox" Marion, on the one hand, and Leonard E. Read, Henry Hazlitt, and Ayn Rand, on the other, was Barry Goldwater. In 1964 my older brother, Marc, a student at Albright College in Reading, Pennsylvania, declared his support for Goldwater's bid for the presidency. We spoke about Goldwater's views, and Marc passed literature along to me. Naturally, I found the appeals to individual liberty, self-responsibility, and small government appealing. After scouring the city, I finally found a copy of *The Conscience of a Conservative* on a bookrack at Joe's Shoe Repair on Oxford Avenue. It was another key moment.

Back then I called myself a "conservative," but that was because I had not yet heard the word "libertarian," and it would be a short while before I'd learn that the original title for the freedom philosophy is "liberal." Needless to say, I was primed for exposure to the freedom movement. (Chodorov, the first editor of the Read-owned *Freeman*, confirmed that he was a kindred spirit when years later I read that he had written in a 1954 letter to *National Review*, "As for me, I will punch anyone

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who calls me a conservative in the nose. I am a radical." F.A. Hayek's "Why I Am Not a Conservative" also was an eye-opener.)

Holding that first copy of *The Freeman* in my hands was like holding a compass, because it pointed me toward a path I have been treading ever since. It was a path along which I would encounter the writings of Read, Ludwig von Mises, Hazlitt, Paul Poirot, Edmund Opitz, Dean Russell, Clarence Carson, Israel Kirzner, Murray Rothbard, and so many more. Of course, it was through FEE and *The Freeman* that I learned of Frédéric Bastiat. *The Law* remains, in my view, the best introduction to the freedom philosophy. Every time I read it I marvel at how fresh it sounds. If Leonard Read had done nothing but introduce Bastiat to the American people, he would have deserved our unending gratitude.

My early *Freeman* memories include a strong sense of the clarity and logic of the articles. Through solid theory and sound historical illustration, the authors offered a picture of a world that made sense. The emphasis seemed to be on accessibility, the tone always benevolent, tolerant, and constructive. All this had a profound influence on me and many libertarians my age. The importance of that early contact can't be overstated.

If FEE and *The Freeman* had not existed, most of us would have likely found liberalism some other way. But Leonard Read made it so easy and so inviting. For me, that was his grand achievement.

Here's to the next 50 years.

★ ★ ★

This special issue of *The Freeman* celebrates 50 years as the flagship publication of the Foundation for Economic Education. Jude Blanchette kicks things off with his history of *The Freeman*'s important predecessor magazines, which kept liberal ideas alive during the dark days of advancing statism.

That is followed by a FEE Timely Classic in which Paul Poirot, who edited the magazine for 31 years until his 1987 retirement, recounts *The Freeman*'s role in FEE's strategy of self-development in the cause of freedom.

The Freeman and its predecessors were part of a nascent movement concerned with promoting free markets, self-responsibility, and constitutional government, and opposing socialism and the welfare state. Leonard Liggio, a historian and activist who became part of that movement shortly after World War II, provides some eyewitness insight into how this magazine came to be.

No one has described *The Freeman*'s mission better than Henry Hazlitt. His words still apply today, and that editorial statement is reproduced here.

In that first issue 50 years ago, FEE's founder and president Leonard E. Read outlined the freedom philosophy that motivated him and his unique organization, describing it as "Neither Left Nor Right." That article is reprinted as a FEE Timely Classic.

In *The Freeman*'s second issue the eminent historian William Henry Chamberlin compared the records of capitalism and socialism and drew the obvious conclusion: prosperity requires freedom. His FEE Timely Classic, "If There Were No Capitalism," is also in these pages.

While the priority of *The Freeman* has always been to accentuate the positive—to elaborate the value of freedom and self-responsibility—another important objective has been to expose the drawbacks of government provision of goods and services. In that vein, James Bovard turns his investigative eye to the Federal Emergency Management Agency.

In the columns department: Richard Ebeling looks left and right. Donald Boudreaux explains how capitalism mitigates natural disasters. Robert Higgs describes America's distinctive form of corporatism. Charles Baird defends the right-to-work principle. And Daniel Griswold, hearing the charge that the trade deficit lowers living standards, replies, "It Just Ain't So!"

Books on the welfare state, political philosophy before the American Revolution, global warming, and American history kept our reviewers busy the past month.

—*Sheldon Richman*
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The Trade Deficit Lowers Our Living Standard? It Just Ain't So!

BY DANIEL GRISWOLD

If Americans could figure out a way to bottle and export all the nonsense and half-truths that have been written about the U.S. trade deficit, the alleged problem might fix itself. The first shipload should contain William Greider's latest warning that we are all doomed because Americans buy more goods and services on world markets than we sell.

Greider's central complaint ("America's Truth Deficit," *The Nation,* July 18) seems to be that America's large and growing trade deficit is shipping jobs overseas and dragging down our standard of living—all under the apathetic eye of politicians and experts blinded by "the market orthodoxy of free trade globalization."

His fundamental mistake is to misunderstand what drives the U.S. trade deficit. America runs a perennial trade deficit because, year after year, foreign savers acquire more U.S. assets than Americans acquire abroad. This ongoing capital surplus flowing into our country allows Americans to buy more in global markets than we sell. In that sense, the trade deficit reflects the confidence of global savers to invest and keep their money in American real estate, stocks, bank accounts, and private and public bonds.

Greider notes with disapproval that America is "one of the few advanced economies that suffers from perennial trade deficits." He then notes with approval that Germany and Japan both run perennial surpluses. Of course, one major reason behind those surpluses is that both Germany and Japan suffer from slow growth and stagnant domestic demand. Their overcautious companies and consumers are unenthusiastic buyers in global markets, while their savers tend to look abroad for investment opportunities rather than at home. Neither are conditions we should envy.

If trade surpluses are the key to economic success, why are the economies of prominent deficit countries, such as the United States and Australia, performing so much better than those of surplus countries such as Japan and Germany? GDP and job growth in the United States and Australia have been far superior during the past 10 to 15 years than in either Germany or Japan. Indeed Japan's 15 years of slow growth and Germany's chronic, double-digit unemployment have prompted calls in both those countries for sweeping reform of stifling domestic regulations and noncompetitive "social markets."

Of course, an inevitable result of the capital surplus behind the trade deficit is that foreigners own an increasing share of American assets. By the end of 2004 foreign investors owned about $2.7 trillion more in U.S. assets than Americans owned in assets abroad. This "foreign indebtedness," as Greider calls it, is only partly debt in the normal sense of the term. About half of it is equity investment—real estate, stocks, factories, and business—which no American is obligated to "repay." The $2.7 trillion is not such an alarming figure when you compare it to America's net household wealth of $50 trillion.

Granted, America's trade-deficit story is not all rosy. The current deficit also reflects a lack of domestic savings, which creates demand for foreign savings to meet all our investment opportunities at home. American households are not good savers, and the federal government sets a poor example itself, running large budget deficits that consume our pool of national savings. How-

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ever, those issues are not driven by trade policy but rather by deeper macroeconomic factors that lie beyond the reach of trade policy.

Greider goes on to claim that America's trade deficit has caused "another wave of jobs moving overseas" and "the 30-year stagnation of working-class wages." Neither of those statements stands up to scrutiny.

First, the truth about trade and jobs: Trade is not about more or fewer jobs, but about better jobs. Like new technologies, trade changes the mix of jobs by allowing workers to shift into sectors where we have greater advantages. Of course, not everyone benefits from expanding trade. The adjustment can be painful, but those workers who lose their jobs because of trade are not alone.

In the United States, the number of jobs lost each year because of imports and outsourcing is quite small, perhaps about 400,000. That is a drop in the bucket in an economy that employs 138 million workers. "Job churn" is a fact of life in a healthy, dynamic market economy. According to the U.S. Department of Labor, about 15 million jobs disappear permanently in a typical year, while 16 to 17 million are created. So jobs lost to imports and foreign outsourcing represent only 3 percent of annual job losses in the United States each year.

Meanwhile, the U.S. economy has created millions of net new jobs in the service sector, high- and medium-skilled as well as low-skilled. In the past decade, as the trade deficit has grown, employment in the United States has also grown, by a net 20 million. Today the unemployment rate has once again fallen to a level that most economists would agree is full employment. There is no shortage of jobs in the American economy; indeed, worry is growing of a worker shortage.

Productivity Rising

Job losses in manufacturing have not been primarily because imports are replacing domestic production, but because productivity is rising so rapidly. Since 1980 the productivity of the average manufacturing worker in the United States has increased twice as fast as that of the average nonfarm worker. As a result, Americans are producing 50 percent more manufactured goods in volume than a decade ago, twice as much as in 1980, and three times as much as in the 1960s. We're producing more with fewer workers because today's worker is so much more productive. Americans are producing fewer shoes, shirts, and toys and far more computer chips, chemicals, pharmaceuticals, and sophisticated medical equipment.

As for what American workers earn, incomes in America have not been "stagnant," and certainly not for 30 years. In fact, the average income of Americans has been rising over the long run for all but the lowest-skilled workers. Greider mentions only wages, but wages are just a part, and a declining part, of the total compensation earned by American workers. Real compensation per hour for the average American worker (including benefits and adjusted for inflation) has risen 20 percent in the past decade, and more than 40 percent since the 1970s. By virtually every measure of economic well-being, the typical American family is better off than 30 years ago, and for that we can thank a more competitive, liberalized, and globalized U.S. economy.

American workers can compete in global markets with foreign workers who earn lower wages because we are, on average, so much more productive. Our markets are more open, our capital machinery more sophisticated, our workers more educated, our infrastructure more efficient and modern, and our domestic economy more deregulated and competitive than most other countries, and especially poor countries. U.S. companies are happy to pay higher wages to American workers who produce more in an hour of work.

U.S. companies that invest abroad seek higher profits, not lower wages. Some of that investment goes to lower wage countries such as China and Mexico, but most of it—some 80 percent of outward U.S. foreign direct investment—goes to other high-wage, high-standard countries such as Canada and members of the European Union, where the workers are more productive, the infrastructure more dependable, and consumers more able to buy what U.S. companies sell.

In the end, I suspect that Greider's real lament is not that "market orthodoxy" rules the world (if only that were true), but that the old orthodoxies of protectionism, central planning, and even the milder forms of Japanese and German industrial policy have fallen into deserved disrepute.

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The Freeman Through the Years

BY JUDE BLANCHETTE

In an age when lots of think-tanks, foundations, organizations, and institutes publish magazines extolling the benefits of free markets, it is hard to imagine the early 1950s, when only a handful of pro-free-market publications existed, most notably *The Freeman*. Published as a fortnightly from its inception on October 2, 1950, until it was purchased by Leonard E. Read in 1954 (and from then on published monthly), *The Freeman* was the nation's leading publication in the classical-liberal tradition.

Albert Jay Nock

Conservatives are brought up believing that *National Review* was the magazine that resurrected the cause of limited government from the political malaise of the postwar era. In many ways this is correct, for had it not been for the vision of William F. Buckley Jr. and his associates, the damage wrought on the United States by Keynesian economics and the creep of socialism might have been far worse. Yet in many respects it was *The Freeman* that cleared the way. Even before becoming a publication of the Foundation for Economic Education in 1956, it gave oxygen to a nascent movement of intellectuals, journalists, businessmen, and politicians who believed in free markets and limited government.

"For at least two decades there has been an urgent need in America for a journal of opinion devoted to the case of traditional liberalism and individual freedom. *The Freeman* is designed to fill that need." So wrote co-editors Henry Hazlitt, John Chamberlain, and Suzanne La Follette in the fortnightly's opening editorial, "The Faith of the Freeman." While there were publications that spoke to conservatives and libertarians, *Plain Talk* and *Faith and Freedom* being examples, only *The Freeman* presented a unified philosophy of libertarianism to a mass audience.

Chamberlain, La Follette, and Hazlitt, all well-respected journalists at the time, were thought to be the perfect mix of old and (relatively) new. La Follette was brought into the fold as one of the three principal editors of *The Freeman* after *Plain Talk*'s editor, Isaac Don Levine, bowed out of the fledgling publication. (*Plain Talk* was to be merged with *The Freeman*, giving the new magazine a solid base of advertisers and subscribers from the start.) La Follette was a natural choice for she had been an editor of the original *Freeman,* published by Albert Jay Nock in the 1920s.

The Freeman was not an original title with Nock. As John Chamberlain wrote in a 1952 *Freeman* article, "[T]he *Freeman* is a magazine that is always coming up out of its ashes, like a phoenix." Its roots stretch back to Scotland in the mid-nineteenth century, where a magazine by that name was published in Glasgow from January through December of 1851. *The Freeman* made its next appearance in Indianapolis in 1885 and again in New York in 1908. It was with Nock, however, that *The Freeman* had its longest run to that point. From the first issue on March 17, 1920, until its premature end just four years later, *The Freeman* was intended

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as an answer to the latent statism of the "liberal" *Nation*. Nock, in fact, left his position at *The Nation* to help found *The Freeman* along with Francis Neilson. The staff included Van Wyck Brooks as literary editor, Walter Fuller for rewrites, with Geroid Tanquary Robinson and Harold Kellock joining the magazine in its ensuing years.

Nock thought his qualifications as magazine editor were two: he knew talent when he saw it and he knew enough to do nothing. "I am probably the poorest judge of character now living; none could be worse. A person might be a survivor of the saints or he might be the devil's rag-baby, for all I should know. But I never yet made the mistake of a hair's breadth on a person's ability, one might almost say sight-unseen," wrote Nock in his 1945 autobiography, *Memoirs of a Superfluous Man*. "I can smell out ability as quickly and unerringly as a high-bred pointer can smell out a partridge."

Henry Hazlitt

His editorial style was not unlike his political philosophy—laissez faire. He had a "belief that a good executive's job is to do nothing, and that he can't set about it too soon or stick to it too faithfully."

The end of *The Freeman* in 1924 resulted from two factors that plagued the magazine's next incarnation some 30 years later—financial distress and personal conflict. Like its predecessor, the 1950 *Freeman* was staffed with great talent. One of its editors, John Chamberlain, had gained stature as a book reviewer for the *New York Times*, for his articles on business in *Fortune*, and for his editorials for *Life*. At *The Freeman* Chamberlain found a home for his brand of libertarianism. He fundamentally believed in the importance of the fortnightly, and knew that it was the power of ideas that ultimately swayed men's minds. He later wrote, "If the *Nation* and the *New Republic* had not sold the intellectuals on the virtues of the planned economy in the '20's and early '30's, there would have been no Roosevelt Revolution."

Of the three editors, Henry Hazlitt was perhaps the most formidable. A powerful opponent of the planned society and an advocate for liberty, Hazlitt was the definition of an autodidact. His first job at the *Wall Street Journal* in 1916, in his early twenties, introduced him to the importance of economics. At 21 he wrote his first book, *Thinking as a Science*, which met with surprising success. After a stint in the Air Guard during World War I, Hazlitt returned to journalism and during the 1920s he honed his economic analysis. Dubbed by many in the press as "the literary economist," Hazlitt was as comfortable analyzing labor statistics as he was dissecting Conrad or E.M. Forster. As literary editor of *The Nation* Hazlitt slowly began to insert his incipient libertarianism into his book reviews and feature articles. In 1933 he was asked to succeed H.L. Mencken as editor-in-chief of *The American Mercury*, a job he quickly accepted and quickly left after only four months. From there, and perhaps most remarkably, Hazlitt joined the editorial staff of the *New York Times*, writing virtually every economic editorial for over 20 years. From this perch Hazlitt fought nearly a one-man battle against the economic planners in government and the socialists in the intelligentsia. He eventually left the *Times*, refusing to support the Bretton Woods agreement in 1944, and went to work for *Newsweek*. By the time he joined the staff of *The Freeman*, Hazlitt was one of America's most widely read libertarians, primarily through his *Newsweek* column, "Business Tides."

The Only Outlet

From the start *The Freeman* was a magnet for conservatives and libertarians whose pleas for economic and political sanity had been muffled since the beginning of the Great Depression. F. A. Hayek, Ludwig von Mises, Wilhelm Röpke, Frank Meyer, John T. Flynn, Raymond Moley, Frank Chodorov, Buckley, and William Henry Chamberlin are a smattering of the names that found their way into the early issues of *The Freeman*. For many it was the only respectable publication that would publish their work.

The importance of *The Freeman* can be understood only in the context of the postwar epoch. The bloodshed of Europe had scarcely been stanched when Amer-

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ica was confronted with the threat of communist aggression. The left, infatuated with the Soviet utopia from its birth, not only agitated for communism's spread across the globe, but courted it here at home. What's more, home-grown statists argued that if a government could plan during war, it most certainly could plan during the peace. Doctrines of easy money, hard regulations, and progressive taxation prospered.

It was during this dark period, however, that the liberal ideas of the pre-World War I era made a dramatic comeback, powered initially by three women in 1943, while the war was still raging: Rose Wilder Lane, Ayn Rand, and Isabel Paterson. F.A. Hayek followed in 1944 with his monumentally important *The Road to Serfdom*. Next came the creation of FEE in 1946 by Read. In 1947 F. A. Hayek and the remnant of classical liberals huddled at Mont Pelerin, Switzerland, to assess the damage wrought by the rise of collectivism and to restart the freedom movement.

John Chamberlain

Still, a journal or publication that would reach a mass audience was needed. Wrote John Chamberlain, "We needed the Read Foundation, yes, and we also needed the Mont Pelerin Society which Friedrich Hayek, Milton Friedman, and other free-enterprise economists and publicists (including Leonard Read) had started on a Swiss mountain to build up a backfire to the collectivism that was ravaging Western Europe and threatening the United States. But to give the gathering conservative and libertarian causes a forward thrust, a fortnightly journal of opinion was a sine qua non necessity."

The new *Freeman* had two areas of primary focus: economic and foreign policy, and while it was libertarian in the former, it had a conservative bent in the latter. Unlike some limited-government noninterventionists of the time (most notably Garet Garrett, John T. Flynn, and Frank Chodorov), *The Freeman*'s editorial position favored direct confrontation with communism. It rejected containment and held that participation in world diplomatic bodies was as dangerous as it was naïve. "Any world organization that includes communist or other totalitarian governments is obviously worse than useless, for such governments must inevitably prevent the organization from taking any genuine steps towards peace and friendship," stated the opening editorial.

As set out in that defining editorial, "The true tradition has always placed great emphasis on economic liberty. It is particularly of economic liberty that communists, socialists, government planners and other collectivists have been most openly contemptuous. Yet it is not too much to say that economic freedom, as embodied in the free market, is the basic institution of a liberal society." Thus the magazine strongly opposed all economic cure-alls, regulations, and plans.

The magazine's board comprised big names among classical liberals, including Lawrence Fertig, Leo Wolman, Leonard Read, Ludwig von Mises, and Roscoe Pound. La Follette presciently noted, "Such a board might give the magazine a certain prestige before it gets under way. After it gets under way, it will be judged by what it is, not the big names connected with it."

Hazlitt's Changing Role

Problems erupted in 1952 when Hazlitt asked to bring in a fourth editor to lighten his editorial load. Because of his work at *Newsweek*, Hazlitt wanted to resign or simply become a nominal contributing editor, but he offered to stay on until a replacement could be found. While Forrest Davis eventually became an editor, Hazlitt's first choice was Buckley. Among others interviewed were Frank Chodorov, Frank Hanighen, Eugene Lyons, and John Davenport. Davis had earlier contributed articles to the magazine, and he was assumed to share the same political philosophy with Hazlitt and his co-editors.

There was immediate tension between Davis and Hazlitt, who took offense at Davis's attempt to inject the magazine into partisan political struggles. Two issues in particular—the controversy over Sen. Joseph McCarthy and the battle between the Taft and Eisenhower Republicans—proved especially contentious for the staff.

Several of the magazine's donors were rumored to have been rankled when the perception arose that editors favored Robert Taft. This brought to the surface

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Hazlitt's belief that *The Freeman* should argue classical liberalism from a distant, nonpartisan perspective. As Hazlitt would later recall, "[I]t quickly turned out that both Suzanne [La Follette] and Forrest [Davis] were bent on making *The Freeman* a McCarthy and primarily an anti-communist organ rather than an exponent of a positive libertarian philosophy. I regarded McCarthy as a sort of bar room fighter, often reckless and sweeping in his accusations."

The feud soon expanded beyond the walls of *The Freeman*'s Madison Avenue office. *Time* magazine summed up the whole mess in early 1953: "Instead of being Hazlitt's man, Davis had ideas of his own on how to run the magazine, and Chamberlain and Managing Editor Suzanne La Follette generally agreed. In short order Hazlitt had a falling-out with them."

Chamberlain called for an October 31 meeting of the board of directors to determine who would finally win the power struggle, or in his words, "to determine whether the Board shall give vote of confidence to present editorial management of magazine or dismiss present editorial board—John Chamberlain, Forrest Davis and Suzanne La Follette—replacing it with Henry Hazlitt and staff of his choosing. . . ."

The board ultimately sided with Hazlitt, and Chamberlain, Davis, and La Follette soon resigned. Hazlitt became the editor-in-chief and went on to run *The Freeman* along with Florence Norton (formally managing editor of *The American Mercury*) from late 1952 until January 11, 1954. Norton succeeded Hazlitt when he departed.

Later in 1954 Leonard Read purchased *The Freeman*, publishing it initially under his Irvington Press imprint. With 68-year-old Frank Chodorov, formerly editor of his own broadsheet, *analysis*, as editor, *The Freeman* continued in its political-journalistic mode with emphasis on foreign policy. It was not yet FEE's flagship publication.

In January 1956, 50 years ago this month, *The Freeman* merged with FEE's periodical *Ideas on Liberty* and became the foundation's highly influential publication, the premier advocate of free markets and voluntarism, concentrating on theory and its application rather than current political controversies. Its managing editor was a former business economist, Paul Poirot, who directed the magazine until he retired in 1987. In this, its latest, incarnation, *The Freeman* has remained a consistent voice for a free society.

"We have quite a few more journals where liberty can be discussed, but *The Freeman* remains the place where the most eclectic collection of very readable essays appears. The minor transformations over the decades have made it even better, but its main virtue is still that of being open to good writers of short but astute essays from so many different disciplines. Thanks to those responsible for keeping this wonderful forum thriving."

—Tibor R. Machan
R. C. Hoiles Professor of Business Ethics and Free Enterprise
Argyros School of Business and Economics
Chapman University

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Capitalism and Natural Disasters

BY DONALD J. BOUDREAUX

Here are the ten deadliest hurricanes to strike the United States since 1900:

1. Galveston, Texas 1900 (between 8,000 and 12,000 persons killed)
2. Florida 1928 (1,836 killed)
3. Hurricane Katrina 2005 (approximately 1,200 killed, still unofficial)
4. New England 1938 (at least 600)
5. Florida Keys 1935 (423)
6. Hurricane Audrey 1957 (390)
7. Southeast U.S. 1926 (372)
8. Louisiana 1909 (at least 350)
9. Atlantic gulf 1919 (at least 287)
10. Louisiana 1915 (275)

The most striking thing about this list is that it contains only two hurricanes from the past half-century: Audrey and Katrina. The other big killers punched into the U.S. mainland quite long ago.

This fact is even more striking in light of the list below: the ten most powerful hurricanes to strike the U.S. since 1900:

1. Florida Keys 1935
2. Hurricane Camille 1969
3. Hurricane Katrina 2005
4. Hurricane Andrew 1992
5. Florida and Texas 1919
6. Lake Okeechobee 1928
7. Hurricane Donna 1960
8. Louisiana 1915
9. Hurricane Carla 1961
10. Hurricane Hugo 1989

Six of these ten most powerful storms have struck during the past half-century, yet only one of them (Katrina) is among America's ten *deadliest* hurricanes. Even given Katrina's awful devastation, the long-term trend is for hurricanes to kill fewer people than in the past.

Six of these ten most powerful storms have struck during the past half-century, yet only one of them (Katrina) is among America's ten deadliest hurricanes.

Many factors explain this pattern, including the precise location of each storm's landfall. But surely the most important reason why hurricanes today are less deadly than in the past is that we are much wealthier. Of course, we have more sophisticated weather-forecasting and hurricane-tracking technologies, which better alert people to danger. But just as important is the spread of radio, television, telephones, cell phones, and the Internet. These communications technologies enable more and more people, increasingly irrespective of their particular locations, to gain instantly the latest information about coming bad weather and about the range of alternatives for escaping it.

In addition, building materials have improved, making walls and roofs sturdier. And in many places throughout the typical American home, ordinary glass has been replaced with plastic-infused glass that is shatter-resistant.

Automobile ownership is more widespread, and automobiles themselves are more reliable and, hence, more trustworthy to jump into quickly for long drives to safer locations. (It must be said: the much-maligned automobile saved countless lives in New Orleans by enabling car owners to escape Katrina.) In the 1920s and 30s, many fewer people owned cars, and those who did could not trust their vehicles to get them from, say, Galveston to Dallas without breaking down along the way.

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Another benefit of our modern times is better health care. Antibiotics weren't available for much of the first half of the twentieth century; today they are commonplace. Of course, what's true of antibiotics is true of countless other medicines and medical procedures. Many lives that would have been lost to hurricanes before World War II are today saved by routine medical practice.

Not to be overlooked are improved and less-expensive household appliances, such as gasoline-powered generators, solar-powered flashlights, battery-powered televisions, and gasoline-powered chainsaws. Items such as these enable families stricken by violent weather to better survive whatever calamities befall their properties. Likewise with many ordinary grocery items. Bottled water, super-pasteurized milk, and inexpensive canned goods provide survival opportunities denied to pre-World War II Americans.

Finally, search and rescue efforts today are more effective because of our great wealth. For example, more-reliable automobiles, airplane, and helicopters ensure that rescue workers get to disaster scenes more quickly and more surely than in the past. And the greater wealth of fellow citizens enables them *and inspires them* to be more generous with their own time and resources in helping victims of natural disasters.

And what makes all these modern marvels possible? Markets—commerce—entrepreneurs' passion for profitable success at pleasing consumers, and consumers' insistence on getting the best deals that they can. Although typically criticized by intellectual elites as being grimy and unpleasant, markets in fact are unsung heroes at saving lives.

This truth can be seen not only by looking back at our own history, but also by looking at other regions today where markets are not as free—and, hence, prosperity is not as great—as it is now in the United States.

In the summer of 2003, between 35,000 and 50,000 Europeans were killed by a heat wave that struck that continent. In France alone, the death toll from this severe weather was 14,802; that is, in France alone a heat wave killed thirteen-and-a-half *times* more people than Katrina killed.

Why? Were temperatures in Europe especially brutal that summer? The average high daily temperature during that month-long heat wave, according to the *Journal of the American Medical Association*, was 95 degrees Fahrenheit; the highest temperature recorded was 104 Fahrenheit (on multiple days). While these temperatures are indeed intense and much higher than normal for Europe, they are not so high as to be inescapable with air-conditioning. And yet, sadly, Europeans have much less air-conditioning than do Americans because they are less prosperous than Americans.

> But surely the most important reason why hurricanes today are less deadly than in the past is that we are much wealthier.

When in July 2000 the temperature in New York (where my family and I then lived) reached 106 for two straight days, we were decidedly uncomfortable whenever we ventured outdoors, but not once were we close to death. A major reason, of course, is that we had air-conditioning in our cars, in our homes, in our workplaces, and in each of the stores we visited.

Although we didn't think of it consciously—for it is so common in the United States today—air-conditioning not only enhanced our comfort, it might well have saved our lives. It certainly did save the lives of thousands of Americans that summer (as it does every summer) who would otherwise die without it.

Of course, widespread availability of reliable air-conditioning is one of the many fruits of material prosperity. It is truly a lifesaver. Indeed, were it not for air-conditioning, many of the people tragically killed by Katrina would surely have died months or years earlier in New Orleans's brutal subtropical summers. While it's proper to attribute their deaths in August and September 2005 to that awful hurricane, it's also important that we bear in mind that many of their lives were extended by air-conditioning and other too-easily-criticized or ignored benefits of capitalism.

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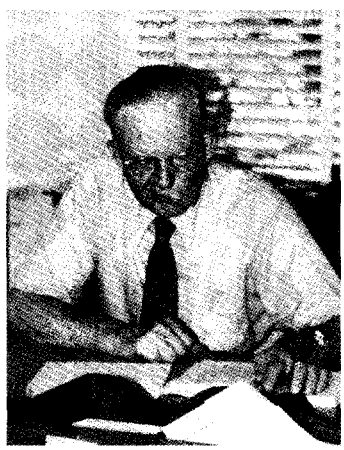
The Freeman: Ideas on Liberty

BY PAUL L. POIROT

Henry Hazlitt (1894–1993), on the hundredth anniversary of his birth, most deservedly was designated "journalist of the century." He also was the last survivor of the founding trustees of the Foundation for Economic Education. The fortnightly magazine *The Freeman* began publication in 1950 with Hazlitt and John Chamberlain (1903–1995) as co-editors. Hazlitt continued writing for the magazine after it became the Foundation's monthly journal of ideas on liberty in January 1956. John Chamberlain, until shortly before his death in 1995, contributed a lead book review each month. So it is fitting and proper that these two giants of liberty, along with Leonard Read, be commemorated in this story of *The Freeman*, published continuously since 1950, and by FEE since 1956.



Paul L. Poirot

As a biweekly "subscription" magazine in the early 1950s, *The Freeman* was operating at a loss of about $100,000 annually. In order to save it, several of the trustees, also serving on the Board of FEE—Henry Hazlitt, Leo Wolman, Claude Robinson, and Lawrence Fertig—brought Leonard Read into the picture. With enthusiasm and self-assurance and the support of his board, he offered to purchase the magazine.

For a year and a half *The Freeman* appeared monthly in an 8" x 11" format under the editorship of Frank Chodorov. The circulation rose from 14,000 to 24,000 in that first year in Irvington, but there continued to be heavy losses for the "subscription" magazine.

At a special meeting of the trustees in November 1955, *The Freeman* was merged with FEE's *Ideas on Liberty* journal. The mailing lists were combined, and in January 1956, in a new digest size with 64 pages, the first issue of *The Freeman: Ideas on Liberty* appeared. It has been published regularly since that time, offered to all FEE donors and others who want it in the expectation that most of them will want to help cover expenses with donations to FEE.

The Freeman is the oldest and most widely circulating periodical devoted to the study of free societies. One of the principles of freedom Leonard Read brought into the Foundation was a primary emphasis on ideas rather than personalities. No name-calling or blanket condemnation of persons and organizations but a clear, non-technical explanation of the ideas underlying the free market and limited government. Among students of liberty, the teaching would be by example and without coercion, all learning and acceptance strictly voluntary. So *The Freeman* at FEE became primarily an attractive presentation of the ideas and principles of freedom more than a news report of U.S. and international economic and political affairs. Leonard Read's ideal role for government was to police the market to keep it open, and to protect private property, leaving individuals otherwise free to do anything that's peaceful.

For the economics of freedom, Read, FEE, and *The Freeman* relied heavily upon the Austrian School writ-

Paul Poirot served as managing editor of The Freeman *from its acquisition by FEE in 1956 until his retirement in 1987. He also served as secretary of FEE's board. This article first appeared in the May 1996 issue of* The Freeman.

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ings and teachings of Dr. Ludwig von Mises. In 1938, Hazlitt introduced Mises to American audiences in a *New York Times* review of the book *Socialism*—"the most devastating analysis of the system ever written."

When Mises moved from Europe to New York City in 1940, he became a close friend of Hazlitt, of Leonard Read, and of the Foundation. Among the followers of Mises are outstanding professors such as Hans Sennholz and Israel Kirzner and a host of their students whose works also have graced *The Freeman*.

Leonard Read was the author most frequently seen in *The Freeman*, though his name appeared on the masthead not as editor but as President of FEE. The managing editor, of course was free to accept—or reject—the President's offerings. Roughly half of the articles and reviews in a typical issue would have been written by the staff of FEE, a few on some special topic by commission, and others chosen from the many free-lance submissions. Now and then an entire monthly issue might be devoted to a single topic, various authors each offering his or her special expertise, but never invited or encouraged by the editor to present opposing views. Now and then, and sometimes without alerting the editor, an astute Henry Hazlitt or Hans Sennholz or Clarence Carson would start a topic that simply had to be continued in the following issue and eventually might run to a dozen or more chapters of a book.

Many of *The Freeman* authors over the years have been distinguished academicians in their respective fields of economics, law, philosophy, political science, banking, medicine, and other disciplines. But their common mark of distinction has been the capacity to express their ideas and explanations not in the jargons of their trades but in the clear language of the layman. These experts from the academy have shared the pages of the journal with other experts from any and every walk of life, perhaps a housewife, a lawyer, a merchant, and yes, probably a thief, since there have been articles by prisoners.

The editor's guide for acceptance was the clear evidence of the author's understanding and capacity to shed special light on one or another facet of liberty. Not that editors made no mistakes. But never was there an editorial view that one "good turn," or explanation, deserves equal space or time for the contrary opinion. Financial support of the Foundation is not for the purpose of airing opinions counter to freedom.

I had joined the staff of FEE in 1949 and served as managing editor from 1956 until my retirement in 1987. Other members of the Foundation staff, in addition to contributing articles, were often consulted about manuscripts under consideration.

The scholarly Reverend Edmund Opitz served as book review editor and stood always at hand to lend moral and spiritual guidance. He also had a firm understanding of economic issues.

Mrs. Bettina Bien Greaves was well schooled in "the gospel according to Mises," helping to look for "leaks" in any article. She also was the expert expected, and willing, to research any questionable fact or opinion.

W. M. Curtiss saw to business and financial affairs to cover authors' fees, printing bills, and other costs of *The Freeman*. He also had the time and wisdom to help decide which articles seemed best.

The Post-Read Era

Robert Anderson gave up college teaching to rejoin the staff as business manager when Curtiss retired. Like Curtiss, Bob found time now and then to draft an article, always excellent. After Leonard Read's death in 1983, Bob was there to help hold the standard during a succession of presidents until Dr. Sennholz agreed to assume that position. But perhaps the outstanding contribution Bob Anderson made to *The Freeman* was to bring Beth (Herbener) Hoffman aboard as production editor. Eventually she became managing editor, with guest editors . . . helping to compile each issue. . . .

Aside from the memory banks of a Beth or a Bettina, there has been no cumulative index of topics covered in the pages of *The Freeman*. But the value of those back issues as a reference shelf is not to be denied. This is why numerous readers over the years have spoken with pride of their monthly files, or annual bound volumes, or both. The reader fortunate enough to have accumulated a complete set since 1956 now possesses a total of 485 issues, or more than 30,000 pages or over 14 million words of text skillfully crafted into essays by more than 1,400 different authors explaining the many aspects of freedom.

Dr. Clarence Carson [deceased 2003] is one of those who has written articles in a series in *The Freeman*. Early

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on, he offered *The American Tradition* with chapters on constitutionalism, republican government, federalism, individualism, equality, rights and responsibilities, voluntarism, free trade, internationalism, virtue and morality, and so on. In a sense, his list covered the subjects most often tackled in *The Freeman*. In a later series, he described *The Flight from Reality*, the departure from tradition, beginning in the mind of the reformer—the intellectual turn—then emerging as the domestication of socialism, capturing and remaking the hearts of men, and finally manifesting as a political flight.

In more recent years, especially at the nudging of Dr. Sennholz, FEE has published a regular series of *Freeman* "classic" books. Each volume is devoted to a given subject and draws from the wealth of knowledge contained in some forty years of *The Freeman*. Having started with *The Freedom Philosophy*, the series contains books covering a wide range of ideas, including: the moral foundations of capitalism, political interventionism, individual spirit, free trade and world peace, the formation and function of market pricing, money, inflation, banking, private property rights, taxation, conservation of resources, education, medical care, agriculture, unionism, crime, and more.

The Freeman since 1950 consistently and continuously has stood against the fallacies and clichés of politics, not by bitter denunciation, but by reasoned and attractive explanations of the better way of limited government, private ownership, voluntary exchange, moral behavior, and self-improvement. The golden rule of the marketplace is that the person who gains most is one who best serves others.

"The ideas of liberty are compelling, but they must have a platform from which they can reach the public effectively. For fifty years *The Freeman* has been uniquely effective in taking the freedom philosophy to millions of people. As important as this role was in the last half century, the challenges facing liberty today mean that such a role will be even more important in the coming years. All of us at the Institute for Justice join in sending congratulations and best wishes to *The Freeman* and FEE.

—Chip Mellor
President, Institute for Justice

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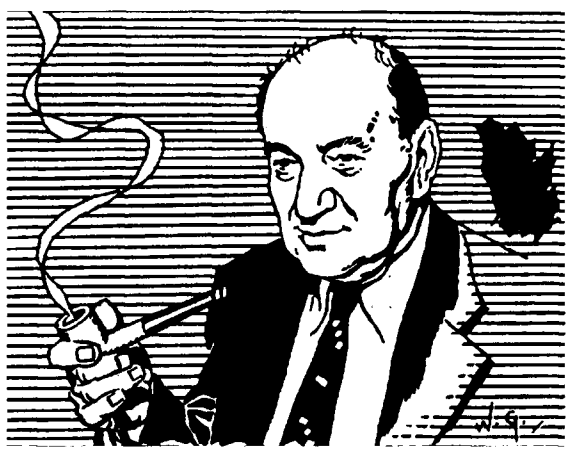
The Freeman: An Eyewitness View

BY LEONARD P. LIGGIO

The Freeman has a long and distinguished history in the cause of liberty.

One finds its origins deep in the classical liberal movement. In 1865 William Lloyd Garrison closed his famous publication, *The Liberator*, after passage of the Thirteenth Amendment to the Constitution. But a number of leading figures felt that the War Between the States had created new challenges to laissez faire and founded *The Nation* with the Irish-born Edwin L. Godkin (1831–1902) as the editor (and young William Garrison, as the deputy editor). However, as financial support thinned, railroad executive Henry Villard stepped in as publisher. Villard was married to the daughter of William Lloyd Garrison. His son, Oswald Garrison Villard, succeeded him as publisher, and in his opposition to Woodrow Wilson's Great War, appointed Albert Jay Nock as editor. In 1918, the Postmaster General barred the U.S. mails to *The Nation* because of Nock's criticisms of the Wilson administration.



Frank Chodorov

In 1920 Nock, joined by Francis Neilson, a Liberal Party member of the British Parliament who had opposed the war, founded *The Freeman* to express his literary as well as political ideas. Nock made *The Freeman* the magazine for advanced thinking. When the financial situation changed and Nock departed for Brussels, H. L. Mencken took up the role with *The American Mercury*. Nock kept the spirit of *The Freeman* in his heart, and it was revived briefly in the 1930s with Frank Chodorov entering the scene.

During World War II Nock was living part-time with William F. Buckley Sr. in Sharon, Connecticut, and working with Chodorov. Nock died at the end of the war with Japan in 1945. Chodorov then launched his publication, *analysis*. Murray N. Rothbard reported that he discovered *analysis* on a newsstand near the New York Public Library surrounded by all the communist and socialist publications of the day. He said it was a major influence on him. William F. Buckley Jr. had imbibed Nock's thought and became a disciple of Chodorov.

About 1950, two important events occurred. Felix Morley, who had left the presidency of Haverford College and joined Henry Regnery and Frank Hanighen in founding *Human Events* in 1944, resigned and was replaced by Frank Chodorov. (Chodorov folded *analysis* into *Human Events*.) The weekly comprised a four-page newsletter on foreign and domestic policy from Capitol Hill and a four-page essay by an author such as Freda Utley, Ludwig von Mises, or Sen. William Jenner, or *Chicago Tribune* stalwarts such as George Morgenstern, Chesley Manley, or Walter Trohan.

Leonard Liggio (leonard.liggio@atlasusa.org) is executive vice president of the Atlas Economic Research Foundation and Distinguished Senior Scholar at the Institute for Humane Studies at George Mason University. He also is a research professor at the GMU School of Law and a past president of the Mont Pelerin Society.

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Meanwhile, on October 2, 1950, with the Truman administration proposing national health insurance and going to war without congressional authorization, a new fortnightly *Freeman* was founded. The editors included Henry Hazlitt, John Chamberlain, Suzanne La Follette (who had worked on Nock's 1920s *Freeman*), and Forrest Davis.

Its launching preceded a major blow against Truman's domestic and war policies: the defeat of four senior Democratic senators in the November election, including the Majority Leader Scott Lucas, who was defeated by Everett McKinley Dirksen. Robert Alphonso Taft—"Mr. Republican"—was re-elected in Ohio, defeating "Jumping Joe" Ferguson, who, because of the Taft-Hartley Act, was financed by organized labor.

The Freeman contributed to the growing climate of free-market and constitutional ideas. Its editors created a core around which challenges to the dominant left ideology were formed. Authors included: Mises, F. A. Hayek, Wilhelm Röpke, John Dos Passos, Roscoe Pound, George Sokolsky, John T. Flynn, and William Henry Chamberlin, author of *America's Second Crusade*. But by 1954 differences of emphasis emerged among the editors, and *The Freeman* was purchased by Leonard E. Read, founder of FEE. The magazine was changed from a biweekly to a monthly and published by Read's Irvington Press, with Frank Chodorov as the editor. Chodorov, who had founded the Intercollegiate Society of Individualists (ISI) for student activities in 1953, relocated to FEE's offices at Irvington-on-Hudson, bringing ISI with him.

I had worked with Chodorov in developing ISI when I was at Georgetown College. I had been an officer of an earlier right-wing student group and had drawn on the generosity of FEE to send monthly "In Briefs" to the members. FEE had continued this practice, sending materials to ISI students. Now FEE provided a home for ISI. Chodorov was a major influence on my thinking as I visited him at the offices of *Human Events* and after; he provided me with contacts on the staffs of Republican senators, such as Jenner of Indiana and Molly Malone of Nevada, who became speakers at events I organized at Georgetown.

The Freeman contributed to the growing climate of free-market and constitutional ideas. Its editors created a core around which challenges to the dominant left ideology were formed.

According to George H. Nash, author of *The Conservative Intellectual Movement in America since 1945*, "Devin A. Garrity [of Devin-Adair, publisher of Chodorov's four books] recalls Chodorov's delight in saying that no one was further right than he. . . . The importance of Chodorov's influence and the quiet way in which it spread are both evident in an anecdote told by M. Stanton Evans. . . . While an undergraduate at Yale in the 1950s, Evans discovered *One Is a Crowd*. It was the first libertarian book he had ever read, and it 'opened up more intellectual perspectives to me than did the whole Yale curriculum.' Evans came to believe that Chodorov 'probably had more to do with the conscious shaping of my political philosophy than any other person.' " In 1954 Devin-Adair published Chodorov's *The Income Tax: Root of All Evil*.

In 1955 Read chose to change the format and style of *The Freeman*. The articles were drawn from the staff of FEE and represented their areas of research. Beginning in January 1956 *The Freeman* was directed to FEE's mission of long-range education rather than current issues. It has pursued that strategy ever since.

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The Function of *The Freeman*

BY HENRY HAZLITT

On the positive side, of course, our function is to expound and apply our announced principles of traditional liberalism, voluntary cooperation, and individual freedom. On the negative side, it is to expose the errors of coercionism and collectivism of all degrees—of statism, "planning," controlism, socialism, fascism, and communism.

We seek, in other words, not only to hearten and strengthen those who already accept the principles of individual freedom, but to convert honestly confused collectivists to those principles.

A few of our friends sometimes tell us that a periodical like *The Freeman* is read only by those who already believe in its aims, and that therefore we believers in liberty are merely "talking to ourselves." But even if this were true, which it isn't, we would still be performing a vital function. It is imperative that those who already believe in a market economy, limited government, and individual freedom should have the constant encouragement of knowing that they do not stand alone, that there is high hope for their cause. It is imperative that all such men and women keep abreast of current developments and know their meaning in relation to the cause of freedom. It is imperative that, through constant criticism of each other's ideas, they continue to clarify, increase, and perfect their understanding. Only to the extent that they do this can they be counted upon to remain true to a libertarian philosophy, and to recognize collectivist fallacies. Only if they do this can the believers in freedom and individualism hope even to hold their ranks together, and cease constantly to lose converts, as in the past, to collectivism.

But the function of a journal of opinion like *The Freeman* only begins here. The defenders of freedom must do far more than hold their present ranks together. If their ideas are to triumph, they must make converts themselves from the philosophy of collectivism that dominates the world today.

A Lesson from the Enemy

They can do this only if they themselves have a deeper and clearer understanding than the collectivists, and are able not only to recognize the collectivist errors, but to refute them in such a way that the more candid collectivists will themselves recognize, acknowledge, and renounce them as errors. A friend of free enterprise is hardly worth having if he can only fume and sputter. He must know the facts; he must think; he must be articulate; he must be able to convince. On the strategy of conversion, our side can take at least one lesson from the enemy. The task of the Bolsheviks, Lenin once wrote, is "to present a patient, systematic and persistent analysis." And our own cause, the cause of freedom, can grow in strength and numbers only if it attracts and keeps adherents who in turn will become, not blind or one-eyed partisans, but enlightened and able expositors, teachers, disseminators, proselytizers.

To make this possible, it is essential that there should exist a prospering periodical with the aims of *The Freeman*. We must restore "conservatism" and the cause of economic freedom to intellectual repute. They have not enjoyed that repute, in the eyes of most "intellectuals,"

Henry Hazlitt (1894–1993), author of Economics in One Lesson, The Failure of the "New Economics," *and other classics, was a founding trustee of FEE. Although Hazlitt wrote this for* The Freeman *in 1951, a few years before the magazine was acquired by FEE founder Leonard E. Read, the statement applies to FEE's* Freeman *as well. It last appeared in the May 1996 issue.*

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for many years—perhaps since the beginning of the twentieth century.

"We are all Socialists now," said Sir William Harcourt in 1894, and he was not joking as much as his listeners, or he himself, supposed. We must never forget that, in the long perspective of human history, "capitalism"—i.e., individualism and a free-market economy—is the newest form of economic organization. Communism is the most primitive form; it is as old as primordial man. Feudalism, a regime of status; rigid State and guild control; mercantilism; all these preceded the emergence of economic liberty. Socialism as a self-conscious "intellectual" movement came into being a century and a half ago with such writers as Saint-Simon, Owen, and Fourier. In its Marxian form it made its official debut, so to speak, in the revolutions of 1848 and in the *Communist Manifesto* of the same year.

And it was not, contrary to popular myth, the proletarian masses or the starving millions who were responsible for either originating or propagating socialist ideas. It was well-fed middle-class intellectuals. This description applies not only to Marx and Engels themselves, but to the epigoni, and to the literati who were chiefly responsible for parroting and popularizing the socialist doctrines. Intellectual hostility to capitalism was made fashionable by the Carlyles and Ruskins of the nineteenth century, and later by the Fabians. Since the beginning of the twentieth century it has been difficult to find an outstanding novelist or playwright, from Bernard Shaw to H. G. Wells, or from Anatole France to André Gide, who did not proudly proclaim himself a Socialist.

The late Lord Keynes, in the last pages of *The General Theory of Employment, Interest, and Money*, a book not always distinguished for wisdom or sense, pointed out one fact that is profoundly true.

> The ideas of economists and political philosophers [he wrote] both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.

The irony and tragedy of the present is that Keynes himself has become the chief "academic scribbler" and "defunct economist" whose ideas dominate the "madmen in authority" and the intellectuals today. The restoration of economic, fiscal, or monetary sanity will not be possible until these intellectuals have been converted or (to use a word coined by Keynes himself) debamboozled.

The Influence of Intellectuals

Who are the intellectuals? They include not merely the professional economists, but novelists, playwrights and screen writers, literary and music critics, and readers in publishing houses. They include chemists and physicists, who are fond of sounding off on political and economic issues and using the prestige gained in their own specialty to pontificate on subjects of which they are even more ignorant than the laymen they presume to address. They include college professors, not merely of economics but of literature, history, astronomy, poetry. They include clergymen, lecturers, radio commentators, editorial writers, columnists, reporters, teachers, union leaders, psychoanalysts, painters, composers, Broadway and Hollywood actors—anybody and everybody who has gained an audience beyond that of his immediate family and friends, and whose opinions carry kudos and influence either with other intellectuals or with the man on the street.

To consider this group of intellectuals is to recognize that it sets the fashion in political, economic, and moral ideas, and that the masses follow the intellectual leadership—good or bad—that it supplies. Clearly also there is a hierarchy within this hierarchy. The ballet dancer, say, gets his ideas from the pages of *The New Yorker*, and *The New Yorker* from some vague memory of Veblen; the popular leftist novelist gets his notions from *The Nation* or the *New Republic*, and these in turn from the Webbs, the Harold Laskis, or the John Deweys.

The hopeful aspect of this process is that it can also be used to revise or reverse ideas. If the intellectual leaders, when they go wrong, can have a great influence for harm, so, when they are right, they can have a great influence for good. When we consider the immense practical influence for evil that has been exercised by Karl Marx's *Das Kapital*, we should also recall the

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immense practical influence for good exercised by Adam Smith's *The Wealth of Nations*. If the intellectual leaders can themselves be converted or reconverted, they can be counted on, in turn, to take care of the task of mass conversion. For the masses do respect and follow intellectual leadership.

Above all, we must keep in mind the rising generation, which will comprise both the future masses and the future intellectual leaders, and whose ideas and actions will be heavily determined by what they are taught today.

Few practical businessmen realize how economic and social ideas originate and spread, because they are not usually themselves students or readers. It is perhaps unrealistic to expect them to be. There is a necessary division of labor in society, and most businessmen have enough to do in improving their particular product to satisfy consumers, in reducing costs and in meeting competition. But one result of the preoccupation of business leaders with their own immediate problems is that they hardly become aware of the existence and power of ideas—conservative or radical—until some legislative proposal that would destroy their business is put before Congress, or until the labor union in their own plant makes some ruinous demand. Then they are apt to think that this demand comes from the rank-and-file of the workers, and that it can be answered by some statistics showing the smallness of profits compared with wages.

But usually neither the assumed origin nor the assumed cure is correct. The demands come, not from the working rank-and-file, but from labor leaders following a suggestion thrown out in some college classroom, or by some radical writer; and the practical businessman, even though he knows the immediate facts of his own business, finds himself at a heavy disadvantage in these controversies because he cannot answer, and perhaps is even unaware of, the *general premises* on which the contentions of those hostile to business really rest.

These general premises, seldom explicitly stated or even clearly formulated by those who reason from them, form part of the climate of opinion in which particular radical proposals come to growth. Even competent experts in their special fields are usually not aware that some proposal they are combatting is merely part of a whole system of thought. That is why their arguments against it, often unanswerable in detail, are as often ineffective. It is a comprehensive though confused philosophy that we have to meet, and we must answer it by an equally comprehensive philosophy. Above all we must combat the superstitious belief that the coming of socialism is inevitable.

It is the aim of *The Freeman* to address itself specifically to the leaders and molders of public opinion and to thinking people everywhere, in order to help create a healthier climate for the preservation of free enterprise and the liberty and moral autonomy of the individual. It is our aim to point out the fallacies in the basic premises of the collectivists of all degrees up to the totalitarian.

It is our aim, above all, to expound the foundations of a philosophy of freedom.

THE FREEMAN 50th

"I look forward to *The Freeman* every month. Its good writing (or good editing) provides a refreshing change of pace from the usual journal article. The magazine includes not only articles supporting freedom in the abstract but also, and especially, pertinent historical accounts, case studies, and biographical sketches. I find the book reviews particularly valuable. They cover not only books deserving the applause of classical liberals but also books that contrast instructively with the freedom philosophy."

—Leland B. Yeager
Ludwig von Mises Distinguished Professor of Economics Emeritus, Auburn University

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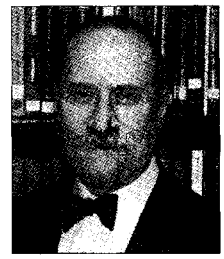

The Day the Glue Came Undone

BY SHELDON RICHMAN

Scenes of the devastation and suffering inflicted by Hurricane Katrina will long remain in our memories. Equally horrifying were the pictures of New Orleans residents—and policemen—helping themselves to goods from stores. They weren't just taking food, water, and diapers; some were taking television sets, jewelry, and other luxury items.

These scenes had a clear message for anyone who understands the role the free market plays in making human life possible: anything that significantly disrupts economic activity disrupts civilization itself. This reveals the intimate relationship between the market and society.

For those lacking a moral compass, the "price" of civility is dramatically reduced when they *can take it for granted* that the stores will be filled with affordable necessities and not-so-necessary items every day without fail. In other words, when the division of labor makes the threat of famine a relic of the distant past, society achieves a notable level of decency.

Capitalism—the free market, individual liberty, private property—has never gotten the full credit it deserves for that achievement. It is the glue of civil society. We saw the hurricane and flood wash that glue away, and the results were not pretty.

In normal times the police help to keep order, but not nearly to the extent that people think. There are too few of them. Internal restraints fortified by the surrounding informal social environment are essential to keeping the peace. As Thomas Paine wrote in *The Rights of Man*: "Great part of that order which reigns among mankind is not the effect of government. It has its origin in the principles of society and the natural constitution of man. . . . In fine, society performs for itself almost everything which is ascribed to government."

Admittedly this is counterintuitive. Someone observing the human race at its earliest stage might have been filled with pessimism. All human beings had the same basic material needs, but resources were extremely scarce. How could anything but a Hobbesian war have been the outcome?

> The liberal market order produces more than mere material wealth. The division of labor, that core social cooperation which produces the familiar cornucopia, is the glue that holds civil society together.

We know that such pessimism would have been misplaced. The human race did not perish. Societies evolved and grew wealthier; populations expanded. Today six billion people have longer lives and higher standards of living than a much smaller population had only a couple of centuries ago. How is that possible?

One might first think that the answer lies in resources. But this won't do, because any materials we enjoy today have existed from time immemorial. Oil, iron, copper, and the rest were beneath the ground trod by the primitive men and women of every continent. But those were merely raw materials, and raw materials are not *resources*. They are only *potential* resources, and as Julian Simon long emphasized, it takes the intelligence of free individuals—"the ultimate resource"—to turn that potential into the actual. This is done by discovering how a given material can serve a human need.

As important as the human transformation of matter into resources is, the civilizing of mankind has a deeper explanation, which is found in the work of Ludwig von Mises. Mises understood that if human beings did not

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stand to benefit materially from association with each other, they would live in either conflict or isolation, viewing any stranger as a threat to his life and super-scarce resources. "[N]ature does not generate peace and good will," he wrote. "What makes friendly relations between human beings possible is the higher productivity of the division of labor. It removes the natural conflict of interests. For where there is division of labor, there is no longer question of the distribution of a supply not capable of enlargement. Thanks to the higher productivity of labor performed under the division of tasks, the supply of goods multiplies. A preeminent common interest, the preservation and further intensification of social cooperation, becomes paramount and obliterates all essential collisions."

The law of comparative advantage, or what Mises called more generally "the law of association," explains why people came to see one another not as adversaries but rather as allies in the struggle against miserly nature. Mises goes so far as to say, "In a hypothetical world in which the division of labor would not increase productivity, there would not be any society."

The division of labor enables individuals together to produce more total goods even when some people are less productive at everything than others are. (For an elaboration of this point, see Manuel Ayau's article "The Most Elusive Proposition," *The Freeman*, October 2004.) Everyone can prosper, albeit at different rates. If you need proof, compare what the official "poor" in the United States own today against what they owned 30 years ago. If you haven't thought about this before, you will be astounded.

The division of labor and the falling costs of mass production replace, in Mises's terms, biological competition with catallactic (economic) competition. Instead of competing to consume, we compete to *serve consumers*. Mises sums up: "Because many people or even all people want bread, clothes, shoes, and cars, large-scale production of these goods becomes feasible and reduces the costs of production to such an extent that they are accessible at low prices. The fact that my fellow man wants to acquire shoes as I do, does not make it harder for me to get shoes, but easier."

Another writer with a prodigious understanding of the nature of the marketplace was Frédéric Bastiat. In his 1850 treatise, *Economic Harmonies*, he describes a "man belonging to a modest class in society" and notes the many goods and services he uses in a typical day. Bastiat then observes, "It is impossible not to be struck by the disproportion, truly incommensurable, that exists between the satisfactions this man derives from society and the satisfactions that he could provide for himself if he were reduced to his own resources. I make bold to say that in one day he consumes more things than he could produce himself in ten centuries.

"What makes the phenomenon stranger still is that the same thing holds true for all other men. Every one of the members of society has consumed a million times more than he could have produced; yet no one has robbed anyone else."

Growing Accustomed to Abundance

The inevitable, and ominous, outcome of these happy circumstances is that people quickly grow accustomed to them. They think of regular, dependable abundance as a natural, unchangeable condition and lose sight of what makes it happen.

Then one day a major hurricane or earthquake disrupts the normal course of events: the lights go out; the stores don't open; and the roads can't accommodate the delivery of food and water. Anomie may follow as some people panic, or cynically take advantage of the situation, and act as though they are in Hobbes's state of nature.

Why some people abandon their humanity at times like these and others don't is hard to know and beyond the scope of this article. What's relevant here is that the liberal market order produces more than mere material wealth. The division of labor, that core social cooperation which produces the familiar cornucopia, is the glue that holds civil society together. In recent months we have seen what happens when that glue comes undone. Katrina should prompt us to examine all the ways that government impedes production by interfering with private property, from taxation and spending to regulation and monetary manipulation. Hurricanes and other cataclysms can never be abolished, but as Aaron Wildavsky taught, the wealthier we are, the more resilient we are likely to be. And resilience is the key not only to coping with catastrophe, but also to preserving society.

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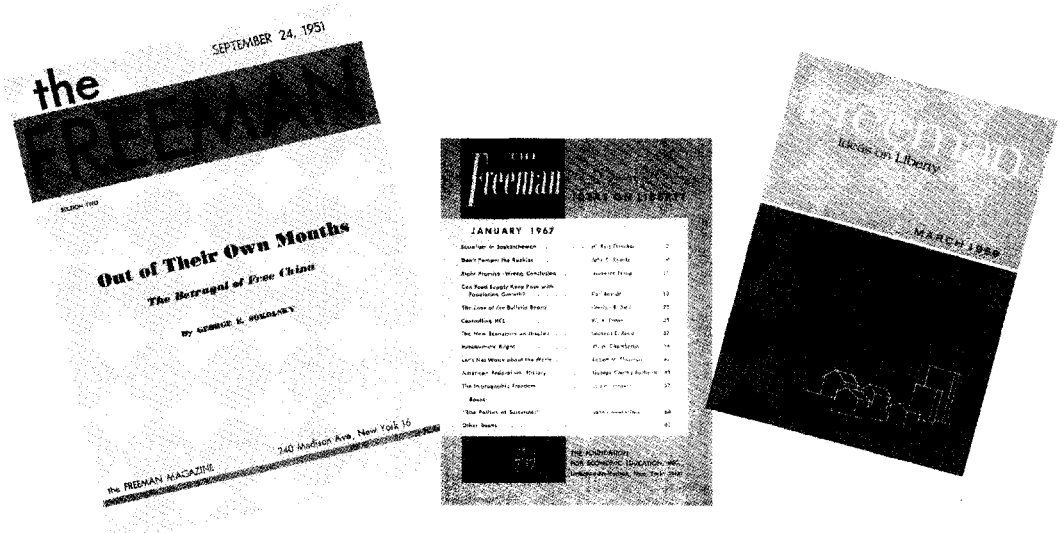
THE FREEMAN 50th

"*The Freeman* has had a definitive influence in Guatemala, where a group of friends, inspired by FEE, founded in 1959 the Center for Social and Economic Studies, which in turn founded Francisco Marroquín University in 1971, dedicated to teaching the ethics, economics, and legal foundations of the free society. We are in debt to *The Freeman*, for much of what we did was inspired by FEE and its banner publication, *The Freeman*—from which we learned, were inspired by, and translated and published many of its articles.

—Manuel F. Ayau
Rector Emeritus, Francisco Marroquín University

"Given the amount of mail I get in my job I am very picky about what I take home to read. In recent years *The Freeman* has been one of only say half a dozen periodicals that are sent to me and of which I can say hand on heart that I read every issue from cover to cover. It is a very useful publication tackling interesting and timely topics and often bringing out unique insights. It is also well written and well edited, which is increasingly rare in an era when one bestselling book recently called the Chinese economy 'highbred' instead of 'hybrid'!"

—John Blundell
General Director, Institute of Economic Affairs



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"I read every issue of *The Freeman*. Even though I read tons of political publications, I am amazed that *The Freeman* always has an article or two that gives me new insight."

—John Stossel
Co-anchor, Correspondent, ABC News' 20/20

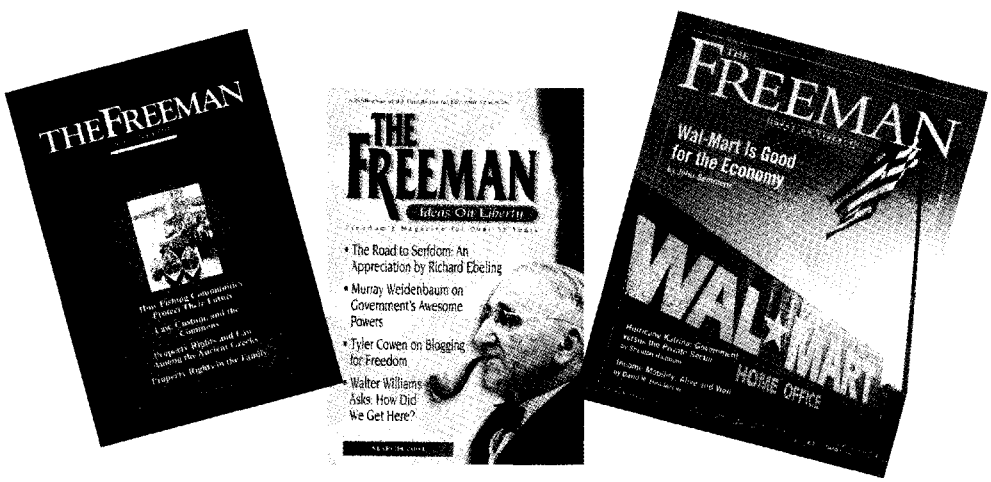
"I have been reading and enjoying *The Freeman* for years. The analysis is always rigorous, the writing clear, and the case for freedom compelling. May you continue to spread the idea of freedom around the world. Happy 50th anniversary."

—James A. Dorn
Vice President for Academic Affairs
Cato Institute

"Congratulations on this 50th anniversary of *The Freeman* and best of luck for the future. During periods of great international turmoil, *The Freeman: Ideas on Liberty* has provided a consistent voice for free-market principles. Reading it throughout my academic and political career, I still rely on its thoughtful, thorough, and informative articles to enhance and reaffirm my own economic ideology.

"*The Freeman*, along with the Foundation for Economic Education, has promoted individual liberty even at times when such stances were not widely accepted. Today, it is clear that we still need *The Freeman*. Just as it did during its infancy, it will continue breaking new ground in furthering the cause of the free society. Happy birthday and best wishes for 50 more years!"

—Edwin J. Feulner
President, The Heritage Foundation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• Murray Weidenbaum on Government's Awesome Powers
• Tyler Cowen on Blogging for Freedom
• Walter Williams Asks, How Did We Get Here?
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THE FREEMAN 50th

"Leonard Read was a pioneer in promoting the ideas of free markets and individual liberty. His major contribution was the establishment of the Foundation for Economic Education. An important part of its contribution was taking responsibility for publication of *The Freeman* a little more than a decade later. For the next fifty years the Foundation kept the quality of *The Freeman* high and made it an effective teacher of the basic principles of libertarianism to a broad and receptive clientele."

—Milton Friedman
Nobel Laureate

"The staff assembled by Leonard Read when he established the Foundation were all dedicated idealists, eager to promote freedom ideas. In FEE's early years they put out some mighty good pieces—short 'Clippings of Note,' 'In Briefs,' and longer studies on wages, employment, inflation, rent controls, tariffs, and the TVA.

"But FEE's contributions to the freedom philosophy languished as the staff writers waited for inspiration and strove for perfection in what they wrote. Taking over *The Freeman* in 1955–56 probably saved FEE; a deadline each month gave the staff writers a new incentive and helped to focus their efforts.

"With Read's insistence that FEE do more than simply criticize government policies and programs, every issue also explained some aspect of the positive pro-freedom viewpoint. Under Paul L. Poirot's editorship, it offered a breath of fresh air to a world imbued with the philosophy of Roosevelt's New Deal, Keynes, and World War II controls and regulations. Many of its articles still live as 'classics,' explaining how free markets operate. And *The Freeman* continues to live up to this tradition."

—Bettina Bien Greaves
Former FEE staff member and trustee

"With the proliferation of libertarian and pro-liberty publications in the last 25 years, you might think that *The Freeman* has lost its importance. You would be wrong. *The Freeman* still has what it always had: a combination of clear and calm, yet impassioned, writing about the burning issues of liberty and empirically based articles on the case for liberty in scores of areas ranging from the right to buy imports to the right to be free of unreasonable searches to why Wal-Mart is good for the economy. On top of all this, *The Freeman*'s editors and writers do it concisely. I started reading *The Freeman* when I was 17. I still read it today at age 54."

—David R. Henderson
Research Fellow, Hoover Institution
Author, The Joy of Freedom: An Economist's Odyssey

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"I was pretty much a normal, bright high-school student in the mid-1950s, a rebel without a cause. My extended family and friends had early on introduced me to the writings of Thomas Jefferson, Albert Jay Nock, Hilaire Belloc, Garet Garrett, Leo Tolstoy, and John T. Flynn, all of whom I enjoyed reading and with whom I was in general agreement, but I yearned for something more. I knew not what. A local high-school teacher saw that my brother and I tended to march to the beat of a different drummer and thought we would find a little ideological magazine, *The Freeman*, to be of interest. Little did she know!

"This introduction to free-market economics and to the coherent and consistent political philosophy that served as a firm foundation for the market system opened up a whole new world to me. And what a world! Not only could I read the persuasive free-market insights of Henry Hazlitt, Leonard Read, Frank Chodorov, F. A. Harper, Ben Rogge, John Chamberlain, Dean Russell, and other such luminaries each month, but through *The Freeman* I was also introduced to the more advanced Austrian economics writings of Ludwig von Mises and F. A. Hayek. I knew then that I had discovered my cause, though this time, as a rebel with a cause. The mainspring of my new mission, however, was not economics only, though that was splendid in itself. No, it was even more. It was working to advance liberalism (in the classical sense) that was to be my noble and, I believe, ennobling enterprise for the next 45 years. Not only was liberalism morally correct, but it worked too!

"To have spent my adult life working with many of the world's brightest students as they labored at the cutting edge of the highest reaches of liberal theory and history has been far more than a poor boy from western Pennsylvania could ever have contemplated, let alone hoped for and deserved. Had I not been introduced to *The Freeman* at that critical juncture in my personal history, I have little doubt that I never would have embarked upon the path that I did. I cannot thank FEE and *The Freeman* nearly enough, not merely for my own introduction to the greater world of liberalism, but also for introducing thousands of like-minded students during the 1950s and 1960s to the philosophy of freedom. I am delighted that *The Freeman* today continues to serve as a beacon to students all over the world."

—Walter E. Grinder
President, Institute for Civil Society

"[*The Freeman* is a] highly unique monthly. It is not a news forum, but rather an intellectual enterprise that mixes policy analysis with application and development of elemental principles of Smith-Mises-Hayek political economy. The applications are often quite creative and striking, so the periodical often delivers new insights even to old hands."

—Dan Klein
Professor of Economics, George Mason University

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Neither Left Nor Right

BY LEONARD E. READ

"Why, you are neither left nor right!"

This observation, following a speech of mine, showed rare discernment. It was rare because I have seldom heard it made. It was discerning because it was accurate.

Most of us seem always to be reaching for word simplifications—handy generalizations—for they often aid speech. They take the place of long, drawn-out definitions. Yet, care must be exercised lest these word-shorties play semantic tricks and do a disservice to those who use them. Such, I fear, is the case with "left" and "right" when used by libertarians who, I hope to demonstrate, are neither left nor right in the accepted parlance of our day.

Leonard E. Read

"Left" and "right" are each descriptive of authoritarian positions. Liberty has no horizontal relationship to authoritarianism. Libertarianism's relationship to authoritarianism is vertical; it is up from the muck of men enslaving man. But, let's begin at the beginning.

There was a time when "left" and "right" were appropriate and not inaccurate designations of ideological differences. "The first Leftists were a group of newly elected representatives to the National Constituent Assembly at the beginning of the French Revolution in 1789. They were labeled 'Leftists' merely because they happened to sit on the left side in the French Assembly.

"The legislators who sat on the right side were referred to as the Party of the Right, or Rightists. The Rightists or 'reactionaries' stood for a highly centralized national government, special laws and privileges for unions and various other groups and classes, government economic monopolies in various necessities of life, and a continuation of government controls over prices, production, and distribution." (Dean Russell, *The First Leftist* [Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1951], p. 3.)

The leftists were, for all practical purposes, ideologically similar to those of us who call ourselves "libertarians." The rightists were ideological opposites: statists, interventionists, in short, authoritarians. "Left" and "right" in France, during 1789–90, had a semantic handiness and a high degree of accuracy.

But "leftist" was soon expropriated by the authoritarian Jacobins and came to have an opposite meaning. "Leftist" became descriptive of egalitarians and was associated with Marxian socialism: communism, socialism, Fabianism.

What, then, of "rightist"? Where did it fit in this semantic reversal of "leftist"? The staff of the Moscow apparatus has taken care of that for us, and to their advantage: Anything not communist or socialist they decreed and propagandized as "fascist." This is by way of saying that any ideology that is not communist (left) is now popularly established as fascist (right).

Let's take a look at Webster's definition of fascism: "Any program for setting up a centralized autocratic national regime with severely nationalistic policies, exer-

Leonard Read established FEE in 1946 and served as its president until his death in 1983. This article is excerpted from the January 1956 issue of The Freeman.

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cising regimentation of industry, commerce, and finance, rigid censorship, and forcible suppression of opposition."

What, actually, is the difference between communism and fascism? Both are forms of statism, authoritarianism. The only difference between Stalin's communism and Mussolini's fascism is an insignificant detail in organizational structure. But one is "left" and the other is "right"!

Where does this leave the libertarian in a world of Moscow word-making? The libertarian is, in reality, the opposite of the communist. Yet, if the libertarian employs the terms "left" and "right," he is falling into the semantic trap of being a "rightist" (fascist) by virtue of not being a "leftist" (communist). This is a semantic graveyard for libertarians, a word device that excludes their existence. While those with Moscow relations will continue this theme, there is every reason why libertarians should avoid it.

One important disadvantage of a libertarian's use of the left-right terminology is the wide-open opportunity for applying the golden-mean theory. For some twenty centuries Western man has come to accept the Aristotelian theory that the sensible position is between any two extremes, known politically today as the "middle-of-the-road" position. Now, if libertarians use the terms "left" and "right," they announce themselves to be extreme right by virtue of being extremely distant in their beliefs from communism. But "right" has been successfully identified with fascism. Therefore, more and more persons are led to believe that the sound position is somewhere between communism and fascism, both spelling authoritarianism.

The golden-mean theory cannot properly be applied indiscriminately. For instance, it is sound enough when deciding between no food at all on the one hand or gluttony on the other hand. But it is patently unsound when deciding between stealing nothing or stealing $1,000. The golden mean would commend stealing $500. Thus, the golden mean has no more soundness when applied to communism and fascism (two names for the same thing) than it does to two amounts in theft.

The libertarian can have no truck with "left" or "right" because he regrets any form of authoritarianism—the use of police force to control the creative life of man. To him, communism, fascism, nazism, Fabianism, the welfare state—all egalitarianism—fit the definitive description that Plato, perhaps cynically, gave us centuries before any of these coercive systems were evolved:

> The greatest principle of all is that nobody, whether male or female, should be without a leader. Nor should the mind of anybody be habituated to letting him do anything at all on his own initiative; neither out of zeal, nor even playfully. But in war as well as in the midst of peace—to his leader he shall direct his eye and follow him faithfully. And even in the smallest matter he should stand under leadership. For example, he should get up, or move, or wash, or take his meals . . . only if he has been told to do so. . . . In a word, he should teach his soul, by long habit, never to dream of acting independently, and, in fact, to become utterly incapable of it.

Ascending the Degradation

Libertarians reject this principle and in so doing are not to the right or left of authoritarians. They, as the human spirit they would free, ascend—are above—this degradation. Their position, if directional analogies are to be used, is *up*—in the sense that vapor from a muckheap rises to a wholesome atmosphere. If the idea of extremity is to be applied to a libertarian, let it be based on how extremely well he has shed himself of authoritarian beliefs.

Establish this concept of emerging, of freeing—which is the meaning of libertarianism—and the golden-mean or "middle-of-the-road" theory becomes inapplicable. For there can be no halfway position between zero and infinity. It is absurd to suggest that there can be.

What simplified term should libertarians employ to distinguish themselves from the Moscow brand of "leftists" and "rightists"? I have not invented one but until I do I shall content myself by saying, "I am a libertarian," standing ready to explain the definition to anyone who seeks meaning instead of trademarks.

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If There Were No Capitalism

BY WILLIAM HENRY CHAMBERLIN

"If there were no God it would be necessary to invent Him."

Thus the witty and skeptical Voltaire's phrase could also be applied to the economic system known as capitalism, often buried with much pomp and circumstance by communist, socialist, and assorted left-wing theorists, but so resilient that it will most probably outlive the memory of most of its critics.

It is a familiar theory among collectivists on both sides of the Atlantic that capitalism is a luxury which only a rich country like the United States can afford. Advocates of this theory usually leave in obscurity the question of how America became rich in the first place. They simply assert dogmatically that poor countries can become rich only by following roads with signposts pointing to communism or socialism.

This line of thought was once being expounded by the late Harold Laski, one of the most persuasive of British Labourite spellbinders. It was very neatly punctured by William Yandell Elliott, one of Harvard's few outspokenly conservative professors.

"Isn't it a boon to the collectivist economies of Europe," said Professor Elliott, "that there is an individualist economy in the United States with enough surplus wealth to cover all their deficits and give them an annual subsidy of several billion dollars a year?"

Laski was normally quick and nimble in the cut-and-thrust of debate. But that question left him gasping for air. There simply was no convincing retort.

Now the question as to which economic system an impoverished nation, struggling for recovery, can best afford has been put to a decisive test in Europe. The war which ended ten years ago left behind an unprecedented amount of physical destruction because of the indiscriminate use of bombing against cities. Vast areas of large cities were turned into wastelands of shapeless rubble. Factories, port installations, railway stations were special targets of attack.

> When I visited Munich for the first time after the war, in 1946, the city was so wrecked by bombing that one could hardly make out the shape and direction of the principal streets. The physical restoration in Munich now is little short of miraculous.

An outlook that was already bleak was made still darker by the rancorous spirit of the Morgenthau Plan which seriously affected American occupation policy in the first postwar years. With the contemplated dismantling of industrial plants and the forbidding of some industries and the severe limitation placed on the output of others, there seemed every likelihood that Germany would be reduced to a vast slum in the heart of Europe, dragging down the rest of the continent in its poverty and destitution.

Europe in 1955 looks like another planet. The scope and depth and sweep of the recovery have confounded the prophets of gloom and doom, who seemed to have only too many arguments on their side ten years ago.

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Germany today is quite unrecognizable.

When I visited Munich for the first time after the war, in 1946, the city was so wrecked by bombing that one could hardly make out the shape and direction of the principal streets. The physical restoration in Munich now is little short of miraculous, even though many beautiful medieval and baroque buildings have perished forever. And it is the same story in Frankfurt, in Hamburg, in all the cities and towns of West Germany. The old episcopal town of Wurzburg, up the river Main, east of Frankfurt, was so completely destroyed by war bombings that it was called "the grave on the Main." It was proposed to rebuild the town on a new site. Now there are almost as many dwellings in Wurzburg as there were before the war. And the city has remained where it was.

"It is remarkable how fastidious people are becoming," said a Frankfurt banker. "In the last years of the war and the first years of the occupation they were glad to get coarse bread and potatoes. Now they shop around, discussing whether Spanish olives or California olives are better."

Only a few years ago the new German mark, created out of thin air by fiat of the occupation powers and without gold backing, sold at a 40 percent discount on the Swiss free market. Now the mark is backed by some three billion dollars of gold and dollar reserves and travelers may freely bring the mark into Germany and take it out. It has become one of the hardest currencies in Europe.

Submerged by a tidal wave of refugees and expellees, people who had fled from their homes or been driven from their homes in the eastern provinces of Germany (now annexed by Poland and the Soviet Union), in the Sudeten area of Czechoslovakia, and in other German settlements in Eastern Europe, it seemed that the Federal Republic might face permanent heavy unemployment. But unemployment has now been reduced to a minimum of a few hundred thousand, in a population of fifty million. In the booming Ruhr, industrial heart of Germany, there is a shortage of skilled labor.

Germany is now building new housing units at the rate of 550,000 a year, more than any other country except the United States. Wherever there are ruins—remains of war bombing—bulldozers and other wrecking apparatus are apt to be on the spot, clearing the ground for new building.

It would be inaccurate to convey the impression that Germany has been transformed into an earthly paradise. The social and economic wounds of the war are deep and some can be healed only after many years. Although Germany gives the impression of working at a feverish pace, there are many old people, widows, war cripples who must eke out a living on small pensions. In spite of the pace of building, housing is still very short; several years will be needed before the war destruction can be fully made up, to say nothing of providing for the needs of a larger population.

It required no small amount of courage and determination to make the big wager on economic freedom at the beginning of the German economic revival, in 1948.

The German "Miracle"

But what has been achieved, measured against the bleak background of the end of the war, is nothing short of miraculous. The average German with whom one talks recognizes this. The German voters placed their stamp of approval on what has been done when they gave Chancellor [Konrad] Adenauer a decisive majority over the Social Democratic opposition in the election of 1953.

There are two points of special interest about this German recovery. First, it has been a triumph for the ideas of capitalism, for the free-market economy over socialistic planning. The man most identified with economic policy since the German recovery began is chubby dynamic minister of economics, Ludwig Erhard, a passionate believer in the ideal of the competitive free-market economy which he defends with equal energy against collectivist planners, rapacious trade unionists, and monopoly-minded businessmen.

It required no small amount of courage and determination to make the big wager on economic freedom at the beginning of the German economic revival, in 1948. There had been nothing like a free economy in Ger-

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many in fifteen years. Social Democrats at home, New Dealers in the American and Labourites in the British occupation administration raised warning voices against the prospective dire consequences of a scrapping of wage and price controls. But these controls and many others were scrapped, and Erhard went on to throw German markets open to foreign goods, luxuries as well as necessities.

Sitting in his office in the Ministry of Economics, puffing endlessly on Cuban cigars, one of the fruits of his trade liberalization, Erhard briefly outlined in a talk with me last summer the main lines of Germany's recovery and the prospects for the future:

"My first concern was to restore competition, the urge and the incentive to work. Foreign goods appearing on the market were a spur to German manufacturers to produce more efficiently. Freer trade meant more goods in shop windows, more for people to buy with the new money. And I was sure that the more we bought the more we could and would sell. It seemed to many a risky thing to bet on economic freedom. But the bet has been won.

"Now we would like to see the widest possible convertibility of currencies. We have already dropped most restrictions on the use of the mark, and we are ready to make it fully convertible as soon as Great Britain takes the same step with the pound. Of course, convertibility begins at home. A currency must be sound, with the water squeezed out, before it can stand the test. And there must be some unity of aim and purpose before convertibility or more ambitious forms of 'integrating' national economies will work successfully. One cannot merge a free with a planned economy, any more than one can mix oil with water."

The second point worth noting about the economic revival in West Germany is the tremendous object lesson which it offers in the relative merits of individualism and collectivism, when compared with what has happened in what is officially called the German Democratic Republic. This is the dictatorial socialist-communist regime installed by force in the Soviet Zone.

Soviet Foreign Minister Molotov at Geneva expressed much solicitude about maintaining "the social and economic accomplishments" of the workers in the Soviet Zone. But the effect of these "accomplishments" has been to induce over two million people, sometimes at the risk of their lives, and always at the price of losing all their possessions except what they could carry with them, to flee to West Germany during the last ten years. To start from scratch in the overcrowded Federal Republic, where housing is a desperate problem, looked better to this host of fugitives than to endure life under Soviet conditions of political tyranny and economic rationing and other hardships. I have traveled extensively in West Germany on several trips since the end of the war, and I have yet to meet one German who had a favorable impression of conditions in the Soviet Zone.

On my most recent trip, last summer, I found myself on a train bound for the Soviet Zone. In my compartment was a forester with his wife and child, returning to his home in the East after a holiday in the West. To a question of how the two regions compared he replied: "Like day and night." He went on to emphasize the vastly greater quantity and better quality of goods available in the West, the fact that most workers could buy motorcycles and some automobiles, and the freedom from fear and espionage. He was returning to the East himself, he said, only because he hadn't been able to find housing in the West.

What makes this German informal plebiscite especially impressive is that here two sundered groups of the same people, with the same former standard of material well-being and education, have been living for a decade under two contrasting social and economic systems. The result: a difference "as great as day and night" and a mass migration, that at times has almost assumed the proportions of a stampede from East to West.

The Case of Austria

It is not only in Germany that capitalism has proved itself a dynamic motor of economic recovery and progress. In one European country after another one finds that the pace and vigor and promise of the general economic revival (Europe outside the Iron Curtain is today far and away more prosperous than at any time since the war) has been in clear and direct proportion to the degree to which such socialist measures as rationing, "fair shares" (which are always very low shares), rigid planning, and artificially cheap money have given way to reliance on the free market, flexible interest rates, and liberalization of international trade. The case of Austria deserves special

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mention. Here living conditions are better than they were between the two wars, better than they have been since the dim, far-off days when Vienna was the capital of an empire with fifty million inhabitants, not of a little mountain republic with seven million.

Much of the credit for Austria's present ability to remove currency restrictions and straighten out the chronic deficit in its balance of international payments belongs to the old-fashioned economic medicine prescribed and administered by Dr. Reinhard Kamitz, minister of finance. It was a popular theory in American foreign-aid administration circles that Austria could never pay its way, that some means would have to be found to continue subsidies even when grants to other countries were terminated.

Then Kamitz stepped into the picture in 1952 and proved that there is no help like self-help and a good deal of virtue in certain old-fashioned economic remedies. He set the Austrian currency, the schilling, at a realistic exchange rate and pushed through a balanced budget, at the same time squeezing a good deal of inflation out of the national economic system by stern measures of credit restriction. There were wails of protest, caused by a temporary rise in unemployment. But Kamitz, like Erhard in Germany, held firmly to his course and he has been abundantly vindicated by later developments. The low exchange rate of the schilling stimulated exports and the potentially valuable tourist trade. Investments at home were made with more confidence because of the feeling that the schilling had become "hard" money again. Now Austria has full, almost over-full employment, and the index of industrial output has been going up substantially from year to year.

It is not only in the free countries of Europe that capitalism has proved its pragmatic value as a stimulus to revival and progress. The best testimonial to the proposition that if it did not exist, it would have to be invented is the growing application in communist countries of certain elements of capitalist technique.

I still remember blinking a little in Russia 20 years ago when I read Karl Marx's description of the horrors of the piecework method of payment and then the glorification of this method in Soviet newspapers. One of the casualties of the Soviet drive for high-speed industrialization, along with the kulak and the private trader, was the last vestige of Lenin's original ideal of substantial material equality.

Every conceivable device was used to stimulate individual effort: piecework payment for the workers, bonuses for engineers and industrial managers. As the personal income tax in the Soviet Union is very low, with a top rate of 13 per cent, the distribution of salaries and wages shows greater variation than in Western countries. In the collective farm system it was found necessary to leave the peasant at least some "capitalist" incentive in the form of his garden plot and household animals. A silent "cold war" has been going on ever since between the peasants, who wish to devote most of their time and work to these personal possessions, and the state authorities, who want to make them work harder on the collective farm land.

Last summer I found, on visiting Yugoslavia, a communist country politically independent of Moscow, still more acknowledgment of the merits of capitalism, even of the free-market system. There, collective farming has been reduced to small proportions because of the bitter resistance of the peasants. And a high state-planning official with whom I talked, Mr. Kiro Gligorov, expressed preference for indirect methods of taxation and credit policy over rigid centralized planning orders. Yasha Davicho, an editor of an economic magazine, and a communist since his student days, declared: "We are trying to practice capitalism—but without private capitalists."

When the doctrinaire extreme communism of the Russian civil war years led to famine on a gigantic scale and the Soviet leaders, militarily victorious, saw themselves confronted with complete social and economic collapse, Lenin sounded a retreat to certain elementary capitalist principles in his New Economic Policy.

So, in the countries which deliberately set out to destroy capitalism, as well as in those where it has survived, more or less eroded by socialistic and welfare state encroachments, there is abundant evidence that such features of capitalism as individual incentive, stable currency, monetary discipline, and some use of the free-market principle have been found valuable in keeping industrial production going. Capitalism has proved itself a pretty tough old bird, even in an age when it has come in for rough handling.

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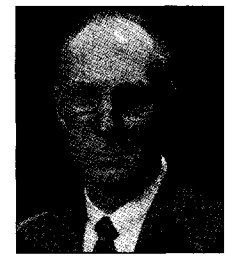
Quasi-Corporatism: America's Homegrown Fascism



BY ROBERT HIGGS

Full-fledged corporatism, as a system for organizing the formulation and implementation of economic policies, requires the replacement of political representation according to area of residence by political representation according to position in the socioeconomic division of labor. The citizen of a corporate state has a political identity not as a resident of a particular geographical district but as a member of a certain occupation, profession, or other economic community. He will probably be distinguished according to whether he is an employer, an employee, or self-employed.

One who looks for information about corporatism is frequently referred to fascism. (In the *International Encyclopedia of the Social Sciences*, for example, the entry for corporatism reads simply, "See Fascism.") Indeed, the corporatist ideal achieved its fullest historical expression in Italy under Mussolini's regime. There, workers and employers were organized into syndicates based on local trades and occupations. Local syndicates joined in national federations, which were grouped into worker and employer confederations for broad economic sectors, such as industry, agriculture, commerce, banking, and insurance. In 1934 the government made peak associations part of the apparatus of state, with one corporation for each of 22 economic sectors. The corporations received authority to regulate economic activities, to fix the prices of goods and services, and to mediate labor disputes.

In practice the Italian corporate state operated not as a grand compromise among economic interest groups but as a collection of sectoral economic authorities organized and dominated by the government in the service of the dictatorship's aims. Neither capitalists nor laborers enjoyed autonomy or private rights defensible against the fascist regime. (See Mario Einaudi, "Fascism," *International Encyclopedia of the Social Sciences* [New York: Macmillan and The Free Press, 1968], pp. 334–41.) Other fascist regimes in Europe and Latin America operated similarly. In light of this experience, one might judge fascist corporatism to have been something of a fraud. The appearance of rationalized popular participation in government failed to mask the dictatorial character of the system.

Not surprisingly, after World War II, fascism became a dirty word and full-fledged corporatism a discredited program. Nevertheless, arrangements bearing some similarity to fascism's corporate state developed in the democratic countries of western Europe, most notably in Scandinavia, Austria, and the Netherlands, but also to some extent in other countries. No one describes these arrangements as fascist; most commonly they are called neocorporatist.

Neocorporatism (also known as liberal, social, or societal corporatism, sometimes as tripartism) shares with fascist corporatism the preference for representation according to membership in functional economic groups rather than according to location. It disavows, at least rhetorically, fascism's totalitarian aspects and its suppression of individual civil and political rights. Neocorporatists support the organization of economic interest groups and their participation as prime movers in the formulation, negotiation, adoption, and administration of economic policies backed by the full power of the government.

Political scientists have concluded correctly that the United States is not a corporate state—certainly not a corporate state comparable to modern Sweden or Austria. American interest groups have been too partial in their membership. Normally the government power they hope to seize has itself been fragmented, divided at each level among executive, legislative, and judicial branches and dispersed among the national, state, and local levels in a federal constitutional system. Residual

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allegiance to liberal ideology and its political norms and practices, including limited government and territorial representation in the legislature, has also impeded the development of corporatism. The American economy is vast and complex. To bring it within the effective control of a few hierarchical, noncompetitive peak associations, as the fascists tried (or pretended) to do in interwar Italy, is almost unthinkable. The closest peacetime experiment, under the National Industrial Recovery Act during 1933–35, did not work and was collapsing of its own weight when the Supreme Court put an end to it.

Nevertheless, recent American history has brought forth a multitude of little corporatisms, arrangements within subsectors, industries, or other partial jurisdictions. They have drawn on both national and state government powers. They operate effectively in the defense sector, in many areas of agriculture; in many professional services, such as medicine, dentistry, and hospital care; and in a variety of other areas, such as fishery management and urban redevelopment. These abundant "iron triangles" normally involve well-organized private-interest groups; government regulatory, spending, or lending agencies; and the congressional subcommittees charged with policy oversight or appropriations. A political economy in which such arrangements predominate, as they do in the United States, is commonly called interest-group liberalism or neopluralism. (Elsewhere I have followed Charlotte Twight in calling it *participatory fascism*.) But it might just as well be called disaggregated neocorporatism or quasi-corporatism.

Under crisis conditions, all the forces normally obstructing the development of U.S. corporatism diminish. Since the early twentieth century, in the national emergencies associated with war, economic depression, rapid and accelerating inflation, or large-scale labor disturbances, the national government has responded by adopting policies that consolidate power at the top and extend the scope of its authority. With power more concentrated and more actively employed, the incentive is greater for latent private-interest groups to organize, increase their membership, suppress their internal disputes, and demand a voice in policy-making.

Government Sponsorship

Far from resenting such a private coalescence of interests, the government usually approves, encourages, and sometimes even sponsors it. In a crisis, swift action is imperative, and the government needs private interests with whom it can deal quickly while preserving the legitimacy that comes from giving affected parties a role in policy-making. When the government is imposing unusual restrictions or requirements on the citizens, as it always does during major emergencies, it needs to create the perception, if not the reality, that these burdens have been accepted—better yet, proposed and chosen—by those who bear them.

National emergencies create conditions in which government officials and private special-interest groups have much to gain by striking political bargains with one another. The government gains the resources, expertise, and cooperation of the private parties, which are usually essential for the success of its crisis policies. Private special-interest groups gain the application of government authority to enforce compliance with their cartel rules, which is essential to preclude the free-riding that normally jeopardizes the success of every arrangement for the provision of collective goods to special-interest groups. Crisis promotes extended politicization of economic life, which in turn encourages additional political organization and bargaining.

In U.S. history, quasi-corporatism has risen and fallen over the course of national emergencies, but each episode has left legacies, accretions of corporatism embedded in the part-elitist, part-pluralist structure of American government. By now these accretions, taking the form of disaggregated neocorporatist arrangements scattered throughout the economy, add up to a significant part of the political economy.*

*The foregoing discussion is drawn from a much longer, fully documented account in my book *Against Leviathan: Government Power and a Free Society* (Oakland, Cal.: The Independent Institute, 2004), pp. 177–200.

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Uncle Sam's Flood Machine

BY JAMES BOVARD

When NASA's *Pathfinder* spacecraft landed on Mars in 1997 and sent back pictures showing that the planet was once flooded, comic Alan Ray quipped: "Of course, Mars lacks the one factor that makes high waters on Earth so much more devastating. Mars has no FEMA."[1]

The National Flood Insurance Program (NFIP) is the Federal Emergency Management Agency's crown jewel. Unfortunately, the heavily subsidized insurance bribes people to scorn common sense, damages the environment, and creates staggering liabilities for taxpayers. Federal flood insurance illustrates how selling at a loss can be politically profitable. The horrendous damage from Hurricane Katrina in late August is in part a tribute to the folly of politicians "managing" risk. This is one more reminder why people should not trust the government to save them.

At the time that the United States was founded, there was no expectation that federal bureaucrats would compensate people for flooded basements or washed-away front porches. Until 1917 disaster response was handled almost entirely by state and local governments and by private charities. In that year President Wilson pushed through a bill to provide limited federal aid for flood relief. Unlike nowadays, there was no "automatic pilot" system that allowed the president almost unlimited discretion and control over disaster spending. Disaster relief proved a popular pork barrel, and aid was gradually expanded over the decades.

At the time that the United States was founded, there was no expectation that federal bureaucrats would compensate people for flooded basements or washed-away front porches.

The NFIP was created in 1968 to lower the costs of federal disaster assistance. Politicians at that time claimed that selling federal insurance for flood damage would help cover the cost of repairing and rebuilding after floods.[2] Instead, Uncle Sam's subsidized insurance provided a green light for far more building in river flood plains and coastal areas long favored by hurricanes. FEMA ran a national ad telling viewers: "We can't replace your memories, but we can help you build new ones." Unfortunately, FEMA and the NFIP have long been inducing people to build homes in areas where their memories get swept away.

A 1997 *Idaho Statesman* report on a Boise river flood concluded that the NFIP "has backfired—bringing more people into harm's way" and has made risky development "look not only possible, but attractive."[3] Doug Hardman, Boise-Ada County emergency services coordinator, observed that subsidized flood insurance "did exactly the opposite of what it was designed to do. It has encouraged people to move there and encouraged developers to develop there."[4]

The NFIP amounts to a type of anti-environmental socialism. Scott Faber of American Rivers, a conservation organization, observed, "Prior to the 1960s, you didn't have much development in flood-prone areas because you couldn't find any insurer crazy enough to

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underwrite it. But the federal government came along and said it is okay—we are going to make it financially possible for you to live in a flood plain. The effect of this has been much more dramatic in coastal areas, where we have seen a huge boom in coastal development in the last 30 years."[5]

The primary effect of federal flood insurance is that far more property is now damaged by floods than would have occurred if the insurance had not made it possible to build in flood-prone areas. The Long Island Regional Planning Board in 1989 complained that federal flood insurance "in effect encourages a cycle of repeated flood losses and policy claims."[6] And, especially in places like Long Island, the program underwrites the vacation homes of the wealthy.

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Consider the experience of Topsail Island, a 26-mile island off the North Carolina coast right in the middle of "hurricane alley." At a time when North Carolina Governor Jim Hunt was trying to discourage rebuilding on the island, FEMA came in and deluged the area with more than $100 million to rebuild private and public facilities after two hurricanes hit the island in 1996. In 1998, the island was hit by another hurricane—and FEMA rushed in to spend another $10 million to repair things. The 1998 damage was greater than it otherwise would have been because FEMA had extended the sewer system after the previous hurricane, thus opening the door to new development.[7] Federal relief spending over a three-year period amounted to more than $10,000 for each permanent resident on the island.[8] "The original development wasn't sound, and now for the third time in three years, we're going to have to come in and provide assistance. There's very little common sense," observed Kevin Moody of the U.S. Fish and Wildlife Service.[9] FEMA paid almost the entire cost of rebuilding local government buildings and infrastructure, and federal flood insurance paid the large majority of the cost of rebuilding private homes. The *News and Observer* in Raleigh noted that "the taxpayer-financed [FEMA] bailout [after the preceding hurricane] has reimbursed resort towns for just about any piece of public property that blew away in the storm. . . . [It] has undermined years of efforts to discourage unwise development."[10]

FEMA pretends that merely shifting the cost of flood damage from a homeowner to taxpayers in general is almost as good as preventing a flood. In the late 1990s it ran a national television advertising campaign (titled "Cover America") urging Americans to buy into the NFIP. President Clinton's FEMA director, James Lee Witt, declared: "The greater the coverage we can achieve, the healthier the flood insurance program will be, and there will be less of a burden on the disaster program."[11]

However, it is scant consolation for taxpayers whether they get boarhawged for disaster relief directly or for payouts under an insurance program designed to reward risky behavior. According to one FEMA analyst, "The way they advertise the flood insurance is disgusting. It is a Ponzi scheme—and they have to replenish that sucker because it is running dry. The NFIP is amazingly generous: you are talking of up to $250,000 for property damage coverage for only a few hundreds a year. . . . That is absurd."[12] Private insurance companies in some cases would charge a $10,000 annual premium for many of the insurance policies which FEMA gives away for chickenfeed.

Misleading the Public

FEMA has continually sought to mislead the American public about the nature of its flood "insurance." In 1997, in response to an article of mine whacking the NFIP in the *Los Angeles Times*, FEMA chief Witt declared that I was wrong when I said flood insurance was "subsidized." Witt explained: The NFIP is a self-supporting program; claims and operating expenses are paid from policyholder premiums, not taxpayer dollars."[13] But the NFIP has repeatedly been bailed out by Congress,

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thus creating a fiction that the program is not an actuarial rat hole. Since FEMA is subsidizing many, if not most, of the people who buy the policies, the more policies FEMA sells, the greater the financial crash-and-burn will be when Mother Nature catches up with the agency.

Witt claimed that communities are required to "enforce sound flood plain management in exchange for the availability of affordable flood insurance."[14] But since FEMA is anxious to sign up as many people as possible for the NFIP, the agency is grossly negligent at requiring sound policies in return. Beth Milleman of Coastal Alliance, an environmental activist group, scorned FEMA's campaign to get more flood-insurance enrollees: "They are merrily skipping around the country tossing subsidized insurance policies at anyone who has a damn bathtub." Milleman observed that the flood insurance "encourages people to rebuild in harm's way, which is also bad for the coastal environment. What disaster relief and flood insurance wind up doing is giving people the financial means to build or rebuild in exactly the same spot that we know is disaster prone. And it is no strings attached nine times out of ten."[15]

FEMA has continually sought to mislead the American public about the nature of its flood "insurance."

FEMA claims that the flood-insurance program encourages responsible behavior because, unless a person gets the insurance contract, the agency will only give him one bailout of up to $10,000 to cover his losses from a flood—next time he is out of luck. However, even this Wiffle-ball penalty provision is a mirage. The agency's inspector general reported, "FEMA regional staff generally were not effective in identifying ineligible applicants who received grants during previous disasters but did not comply with flood insurance purchase and maintenance requirements." The report also noted, "Neither FEMA nor most states maintain records of who purchased insurance and if they maintained it for the required time. Without such records, it is not possible to monitor compliance."[16]

Flood insurance has been horribly managed for decades. "Forget and forgive" is FEMA's attitude towards repeat claimants. Roughly 1 percent of insured properties "have cost the program 38 percent of the claims since 1978, because they repeatedly flood," the *Sarasota Herald-Tribune* reported.[17] A National Wildlife Foundation study estimated that 2 percent of properties covered by federal flood insurance had "multiple losses accounting for 60 percent of the program's total claims."[18] Almost $3 billion has been spent in the last two decades "repairing and rebuilding the same structures two, three and four times."[19] One Houston home suffered 16 floods; its owner collected more than $800,000 in compensation for repair costs.[20] The flood-insurance program paid $200,000 to repair and rebuild a Louisiana home, hit by 15 floods, that was worth only $30,000. The *Houston Chronicle* reported the case of "a modest $49,300 home in Canton, Miss., which was flooded 25 times and brought $161,279 in insurance payments."[21]

While the federal government heavily subsidizes flood insurance, it also has dozens of programs to prevent a shortage of floods. As *Sierra Magazine* noted, "More than 40 separate federal programs and agencies, governing everything from highway construction to farm export policy, encourage building and farming on flood plains and wetlands. In 1996 alone . . . over $7 billion was poured into ten programs that aggravate flooding."[22]

Bush Team Perpetuates the Fictions

Bureaucrats cannot be counted on to make sound decisions on other people's scarce resources. In congressional testimony in March 2004, then-FEMA chief Michael Brown declared, "The number of NFIP policies will be increased by 5 percent."[23] This is a typical Soviet-bloc accounting mentality—as if the goal was simply to have more customers—not to make a profit or achieve something more than bureaucratic bragging rights. Brown assured a Senate appropriations subcommittee: "The National Flood Insurance Program (NFIP) has a significant impact on reducing and indemnifying this Nation's flood losses. Prior to the creation of the NFIP, floodplain management as a practice was not well established, and only a few states and several hundred

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communities actually regulated floodplain development." This is simply repeating the same fictions by which NFIP subsidies have been justified for two generations.

Brown told the Senate that FEMA's "Flood Map Modernization Program provides the capability to broaden the scope of risk management. . . . Communities, lenders, insurance agents, and others use the maps and the flood data approximately 20 million times a year to make critical decisions on land development, community redevelopment, insurance coverage, and insurance premiums."[24]

Brown neglected to mention that FEMA's flood maps are often hopelessly out of date. FEMA is currently using floodplain maps as old as 1979—despite the vast changes in coastal areas, watersheds, and development. FEMA set up a helpline, but up to 40,000 people in one year were given responses that may have included "significant errors," which may have resulted in "significant financial loss to the customer, including but not limited to wrongful denial of insurance coverage at the time of the loss."[25] Callers were often falsely assured that they did not live in a floodplain and thus did not need flood insurance. An audit report in early 2005 titled "FEMA Call Center Assessment" was so damning that the agency tried to suppress it. (A copy leaked out to ABC News.) Robert James, the author of the report, said of FEMA's call-takers: "Most of them, as far as work experience, had fast food, Wendy's, pizza places."[26]

Hurricanes Katrina and Rita shattered whatever pretense of fiscal responsibility the NFIP once possessed.

The 2005 Knockout Combo

Hurricanes Katrina and Rita shattered whatever pretense of fiscal responsibility the NFIP once possessed. As of early October 2005 the program was estimated to go $20 billion into the red as a result of claims from the two hurricanes that hammered the Gulf Coast. The NFIP collects only about $2 billion a year in premiums—thus guaranteeing the program would go belly up. Except that politicians cannot resist restocking the program's coffers with cash.

In November FEMA announced that it was suspending payments for flood-insurance damage claims, effectively, if temporarily, defaulting on its promises to claim holders. Congress responded by rushing to pass legislation entitling the NFIP to siphon off $18.5 billion from the U.S. Treasury to pay off its claims. The action is labeled "borrowing"—but anyone who expects FEMA to repay the Treasury (and taxpayers) is naïve enough to buy Florida swampland. President Bush's signature on the bailout was barely dry before David Maurstad, the acting NFIP chief, announced that "FEMA will continue to work with lawmakers on securing additional borrowing authority." FEMA is expected to pay out roughly $23 billion for claims related to the major hurricanes of 2005.

Not surprisingly, congressmen are anxious to exploit the flood-insurance program to camouflage the welfare they give to often affluent voters. After Katrina clobbered Mississippi, Rep. Gene Taylor of Mississippi introduced a bill titled the "Buy-In Act" to permit people to buy flood insurance retroactively. If some private company permitted people to retroactively buy fire insurance after their homes burnt down, and then backdated the policies to hide the retroactive sleight of hand, the company officials would almost certainly be sent to prison for fraud. However, when the U.S. Congress does the same thing, it is public service. The fact that congressmen would even talk of people retroactively buying insurance is testament to the congressmen's gauge of the stupidity of the American public.

The massive flood-insurance payouts caused by the hurricanes are spurring the usual calls to reform the program. But, with much fanfare, Congress had already enacted legislation early in 2005 to reform the program. The Bunning-Bereuter-Blumenauer Flood Insurance Reform Act sought to curb the repeated bailouts of property owners. Naturally, Congress sought to solve the problem by throwing more money at the people who had already pilfered the Treasury. The new law obliges FEMA to offer to pay much of the cost of "mitigation"—such as raising a house above likely flood levels. How did it become your or my responsibility to pay to

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have some homeowner's vacation place raised? If a homeowner with flood insurance refuses the government's handout offer, the feds can raise his floor insurance premium by up to 150 percent. However, if somebody is already getting a de facto 90 percent subsidy on his insurance rates, a 150 percent increase would still leave him massively subsidized—and would continue to encourage him to live and rebuild in harm's way. Thus, the "reform act" was simply another in a long series of frauds.

The only sound way to reform federal flood insurance is to abolish the National Flood Insurance Program. Politicians and bureaucrats cannot be trusted to make policies or set rates in ways that will serve the public. But there is no way to reform the incentives or boost the responsibility of members of Congress. Thus whatever paper reforms are made to the flood-insurance program will almost certainly be transient—overturned at the first viable opportunity by members of Congress waiting to jigger the system to subsidize constituents. There is no way that a program can run well in the long term when the primary incentive is for congressmen to sabotage its soundness in the short term. Congressmen win votes for boondoggles, not for judicious management.

Some private insurance companies are beginning to offer insurance policies for luxury homes on the coast. This is a niche that can be filled by private enterprise. Professor Rob Young of Western Carolina University declared after Katrina: "If coastal development is such an economic powerhouse that it is essential to the viability of a locality or a state, then let's let the free market decide. No more federal money for rebuilding infrastructure. No more federally subsidized flood insurance."[27] It is no loss to the nation if people build houses a mile or 10 miles out of harm's way.

The political windfall profits that follow a natural disaster epitomize how politicians' and citizens' interests are antithetical. The more citizens suffer, the more politicians profit by throwing money and promises in all directions. The only concept of "disaster" guiding federal policy now is the horror that politicians may miss a chance to use tax dollars to buy themselves more votes.

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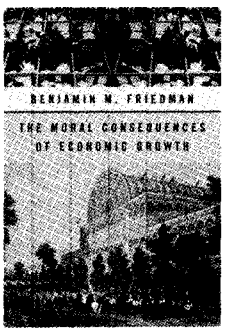
Book Reviews

The Moral Consequences of Economic Growth

by Benjamin M. Friedman

Alfred A. Knopf • 2005 • 570 pages • $35.00

Reviewed by Richard M. Ebeling



Benjamin Friedman is a professor of political economy and a former chairman of the economics department at Harvard University. He is also an unswerving advocate of the interventionist welfare state. His recent book, *The Moral Consequences of Economic Growth*, is meant to demonstrate what is necessary to assure that the majority of the people will continue to support economic regulation and coerced redistribution.

Friedman's starting point is the idea that when people experience rising incomes and economic improvement, they tend to be both more generous and more benevolent toward their fellow men. On the other hand, when they view their present and future economic prospects as either stagnant or regressive, they tend to be stingier and less sensitive to others.

Friedman then translates this into a policy prescription for government to foster increasing economic growth, without which, he contends, many in society will be less open to "tolerance," "fairness," and "democracy." To demonstrate this, he takes the reader through a lengthy, and often disjointed and meandering, account of American and European history during the last 300 years.

Long periods of sustained economic growth, Friedman argues, provide people with a psychology of economic security and confidence that makes them less fearful that continuing social change may undermine their material status. In other words, high economic growth makes people view change as a "positive-sum" game in which everyone can be better off at the same time. Low or no economic growth makes people feel that change is a "zero-sum" game in which others must be getting ahead at their or somebody else's expense. Low growth, therefore, creates a culture and politics of mean-spiritedness.

He tries to show that it has been during periods of sustained economic growth that people have been less racist and sexist, more willing to pay taxes for the social "safety-nets" of the welfare state, and supportive of "activist" government steering society toward desirable "social ends." During periods of prolonged slow growth, people become "anti-government," wanting to hold on to what they have and not "share" with those who are less well off.

To prove this Friedman must perform a variety of interesting intellectual contortions. For instance, the expansion of government during FDR's New Deal in the "bad times" of the 1930s becomes, supposedly, the "exception" that proves the rule. He also contends that people turned against Keynesian economics in the 1970s because they felt worse off during the decade's inflation. The unstated presumption, therefore, is that Milton Friedman must not have received sufficient raises from the University of Chicago in the 1960s and 1970s. Why else would he have been so "negative" about society that he devised the monetarist case against discretionary macroeconomic policy?

And we have an internationally known Harvard economist bemoan the fact that during the "uncaring" and clearly "cruel" years of the Reagan administration, the national minimum wage was not increased. One can only conclude that the laws of supply and demand, and the harm from pricing people out of the market by mandating a wage above where the market would have set it, are fundamental truths that have been forgotten by at least some of the members of the Harvard economics department.

Benjamin Friedman rationalizes government intervention to foster continuing economic growth by arguing that such growth is a "public good" that would be "undersupplied" if left to private decision-making. Since growth generates the morally desirable side effects of "tolerance," "fairness," and "democracy," for which there are no market prices, private individuals may choose to save, invest, and educate at levels below some rate of "optimal" economic growth. (The mantra of "toler-

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ance," "fairness" and "democracy," which is repeated throughout the book, is merely Friedman's Orwellian "newspeak" for all the welfare-state policies he likes.)

Friedman admits that government deficits are "bad" because they divert some of society's resources away from future-oriented private-sector investment. But rather than cut spending so the government would borrow less, he wants those recent tax cuts for "the rich" reversed to pay for increased federal largess. The supply-side economists' arguments over the last 30 years that raising marginal tax rates reduces the incentives for work, saving, and investment seem not to have penetrated the walls of Friedman's office at Harvard.

And what exactly does he want government to do? He wants it to foster more college education through student loans and tuition subsidies; and private employers should be induced through tax-breaks to offer more on-the-job training. He does concede that the quality of public education is less than desirable and could be improved through competition. But he wants any "school choice" to be limited to government-run schools. Better-educated and -trained young people, you see, will generate the economic growth in coming years that will provide the wealth to support the continuation of Social Security and government health care.

Through all the hundreds of pages in Friedman's book, there is one word that rarely appears: liberty. The only freedom that matters to him is that old New Deal notion of "freedom from want."

That individuals should be free to retain the income they have honestly earned in the marketplace to make their own choices concerning work, saving, and investment never even enters the discussion as a serious option. That individuals should have the freedom to decide for themselves the degree of benevolence and charity they wish to undertake is treated as something supplemental to government's responsibility. Nor does Friedman even conceive of the possibility that education can and should be left to the market.

Friedman's mindset is typical of the social engineer who views the members of society as puppets to be manipulated through government "pro-growth" policies in order to generate the wealth needed to fund the welfare state and to induce the right psychology so they will be willing and happy to be taxed to pay for it.

At a deeper level, therefore, Friedman operates on the basis of an almost crude "materialist" philosophy of history. How individuals think about freedom, society, and the nature and role of government is assumed to depend almost completely on their perception of whether their standard of living is rising, falling, or stagnant. Change the rate of economic growth, and you modify people's beliefs and attitudes about the size and function of government. Get the economy moving along a faster growth path, and "the people" will want and support big government, like some version of Pavlov's dog under the right stimulus.

Maybe if we could get Harvard University to cut back on Benjamin Friedman's pay raises he would become disgruntled enough to write a new book, this time in defense of less government and more individual liberty!

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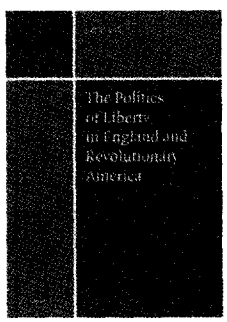
The Politics of Liberty in England and Revolutionary America

by Lee Ward

Cambridge University Press • 2004 • 459 pages • $90

Reviewed by Becky Akers



Explaining and, worse, legitimizing the state occupied sixteenth- and seventeenth-century philosophers in England and Europe. Even as the beast they dissected exiled or imprisoned them and ravaged their countries with civil war, they worried about the intricacies of absolute monarchy. How exactly did God ordain it, and do men owe obligations beyond abject submission to their king? Is a monarchy not only absolute but unified, or does the sovereign share his power with "lesser magistrates"? If the latter, does the king's authority move with him from palace to Parliament, so that his partners in crime bask in the reflected glow? Is there room for contractual relations between a sovereign and his subjects? And is that contract voided when the sovereign becomes tyrannical?

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Is it even possible for a sovereign to be tyrannical? After all, if law proceeds from the sovereign and is to be obeyed rather than questioned, how can we mere mortals call some dictates just and others, well, dictatorial?

Not only did these policy-wonk questions intrigue pundits, they inspired such events in British history as the Long Parliament, the Puritan Revolution, the Commonwealth, and so on. In *The Politics of Liberty,* Professor Lee Ward, who teaches political science at Campion College, University of Regina (Canada), correlates his philosophical history to the political one and coincidentally proves how very much ideas really matter. He traces the development of thought, repellant though it is, on the extent and morality of the state's authority from Sir Robert Filmer, Hugo Grotius, and Thomas Hobbes through Samuel Pufendorf and such Whig philosophers as James Tyrrell, Algernon Sidney, John Locke, and Cato (that is, John Trenchard and Thomas Gordon, authors of *Cato's Letters*). His book concludes with the transformation of these ideas by James Otis, Thomas Paine, Thomas Jefferson, and other Americans.

And thank heaven they were transformed. Filmer argues unabashedly that the monarch is *sovereign.* Indeed, his king sits so far above the law that the royal nostrils may bleed. Filmer credits the biblical account of Adam's creation for this. Supposedly, when God gave Adam dominion over the earth (Gen 1: 28–29), Adam became a literal and utter dictator.

Never mind that the context of these verses is dominion over the *natural* world, not the political one. God is not establishing Adam as a sort of primeval Stalin; rather, Adam is humanity's representative, with God offering nature to mankind so that we may harness it for our advantage.

Ward next shows how Hobbes and Grotius fine-tuned Filmer's points. For example, they debate endlessly whether subjects have any right to rebel, even under the worst of conditions, including the threat of imminent death.

The early Whigs don't offer much refuge from such lunacy. James Tyrrell wastes time and energy proving that Adam's authority over his sons was a general one common to all fathers, rather than a specific right granted to Adam alone. He frets over whether human liberty is alienable and decides it is, though no man would be foolish enough to give away his freedom. Perhaps not, but some philosophers are foolish enough to abet those who steal it.

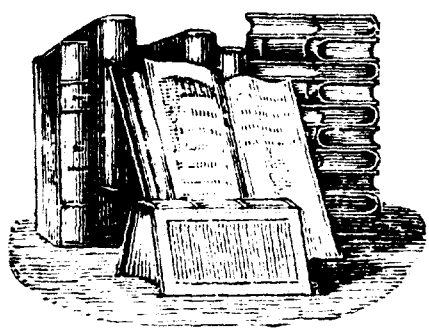
To this point, the quibbling resembles that between modern Republicans and Democrats, with all the nonsensical nuances of the argument over Social Security, for instance. And just as the parties don't step back from the trees long enough to recommend clear-cutting the forest, neither do these philosophers. Bit by bit, they feed off and slightly temper the others' enthusiasm for government. Along the way, almost accidentally, they take baby steps toward stifling the state.

With Algernon Sidney, however, comes a giant leap for mankind. He slashes and burns Filmer with a point-by-point refutation from the Bible. Locke, Cato, and the Americans take an even bigger leap into territory more familiar to us and far more palatable.

Professor Ward tells a tale that begins so sickeningly it makes tough reading for anyone who loves liberty. But hang in there: things improve in the middle and wax positively rosy by the time Locke and company ride to the rescue.

The Politics of Liberty explains some of the baffling reverence for government plaguing us today. Much of it can be traced to Filmer, Hobbes, and the other apologists for government whom Ward discusses. Their pernicious presuppositions still stalk among us like vampires. Understanding these presuppositions allows us to track the vampires to their lairs so we can drive stakes through their hearts. This book provides not only a map to the lairs, but the stakes as well.

Becky Akers (Libertatem@aol.com) writes for The Freeman *and other publications.*



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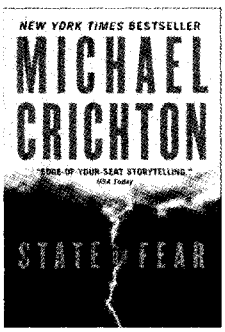
State of Fear

by Michael Crichton
Harper Collins/Avon • 2004/2005 • 603 pages • $27.95 hardcover; $7.95 paperback

Reviewed by George C. Leef



State of Fear is a didactic novel, teaching while telling a story. Author Michael Crichton is attempting here to do more than just to make a general statement to the reader, such as Upton Sinclair did in *The Jungle* ("capitalism is bad") or Ayn Rand did in *Atlas Shrugged* ("capitalism is vital"). He is attempting to enlighten the reader in great detail about the subject of global environmental change. Specifically, Crichton wants to disabuse people of the carefully cultivated notion that we face inevitable global environmental catastrophe unless we immediately adopt a program of radical economic contraction to stop the emission of "greenhouse gases."

Equally important, Crichton wants to tear away the curtain of sanctimoniousness that hides the self-serving nature of the main "green" organizations. Their disregard for science and truth already imposes costs on people, with the heaviest costs falling on the poorest people. If the United States were ever so foolish as to embrace the "green" agenda in full, the result would be economic disaster of monumental proportions. Crichton accurately sees the radical greens as self-interested groups whose officers irresponsibly push fear and pseudoscience to drum up financial support.

When you put such an ambitious product in the hands of a bestselling novelist, you have the makings of a book with strong impact. That's just what Michael Crichton delivers.

It's important to bear in mind that while Crichton has made his career writing fast-paced "technothriller" novels, he has a strong scientific background that includes a medical degree from Harvard. Clearly, he has not lost the ability to think analytically about scientific claims. The greens' incessant use of alarmist rhetoric, disinformation, and junk science has caused many scientists to speak up in protest. Crichton wants the general reading public to understand what scientists do and that environmentalists often play fast and loose with the scientific method.

The action in the novel centers around a fictitious (but very realistic) environmental organization called the National Environmental Resource Fund (NERF) and its unpleasant, maniacal leader Nick Drake. NERF has been spending huge sums of money to covertly acquire some esoteric technology, a fact that comes to the attention of John Kenner, a cross between an MIT professor and a swashbuckling adventurer. Kenner gradually figures out what Drake is up to—the deliberate staging of environmental disasters, human casualties and all, for the purpose of hyping a big environmental conference and lawsuit NERF is planning. Kenner uses all his brains and guts to foil the plots.

Naturally, there is plenty of suspense, mystery, and action. What Crichton hopes is that readers won't just go bouncing along with the plot, but will absorb some of the scientific information he frequently includes in the form of dialogues between Kenner and some environmental true believer. For example, Kenner responds to a flip comment by an environmental lawyer that Antarctica is melting due to global warming by printing out a list of scientific papers (all of them genuine) in which the researchers have found evidence for Antarctic cooling. The lawyer merely responds by saying that the studies were probably financed by the coal industry.

Kenner counterattacks by asking if the lawyer holds his views merely because his salary is paid by environmental groups. The lawyer becomes angry at the implication that he is just a paid flunky, and Kenner then bores in.

"Now you know how legitimate scientists feel when their integrity is impugned by slimy characterizations such as the one you just made. Sanjong and I gave you a careful, peer-reviewed interpretation of data. Made by several groups of scientists from several different countries. And your response was first to ignore it, and then to make an ad hominem attack. You didn't answer the data. You didn't provide counter evidence. You just smeared with innuendo."

State of Fear is chock full of important lessons like that.

Once he gets rolling, Crichton is like a guy who, now that he has his chain saw out, figures he might as well cut

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up not just the downed tree branch in his backyard, but all the rest of the dead wood around. He goes after lots of other environmental pseudo-issues (such as that power lines cause cancer) and emphasizes the high cost of some environmental policies (such as the resurgence of malaria since greens managed to have DDT banned). By the book's end, there's a big pile of sawdust that used to be the environmentalist thought-world.

Of course, the book has been blasted by the greens and big-government interventionists who don't want to see one of their prize justifications for the expansion of the state called into question. Their ire alone is almost enough to recommend *State of Fear.* Crichton's brief essay "Why Politicized Science Is Dangerous" (included as an appendix) is certainly enough to recommend it.

Sample this rarity—a best-seller that has something very important to say.

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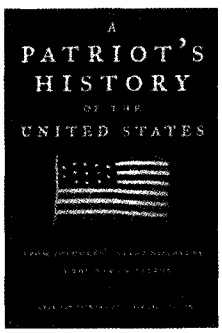
A Patriot's History of the United States: From Columbus's Great Discovery to the War on Terror

by Larry Schweikart and Michael Allen
Sentinel • 2004 • 928 pages • $29.95

Reviewed by Burton Folsom, Jr.



U.S. history textbooks are important because they are a benchmark of what we as a nation value in our past and what we envision for our future.

After thumbing through a recent batch of texts, David McCullough, winner of the Pulitzer Prize, concluded that "most of them, it appears to me, have been published in order to kill any interest that anyone might have in history." What's more, he discovered that "they're often hilariously politically correct and they are not doing any good." Not surprisingly, students hate them and refuse to read them; used book stores often refuse to buy them, or even to put one on their shelves.

Larry Schweikart and Michael Allen, authors of *A Patriot's History of the United States,* observed this trend and tried to do better in writing their own text. The result is a magnificent achievement—a readable narrative that persuasively explains the rise of America, and directly challenges the endemic political correctness in texts today.

Schweikart and Allen start by praising character and hard work as the building blocks of American success. Because Americans had a Christian culture, they took the right to life, liberty, and property seriously. The Founders, Schweikart and Allen remind us, wanted limited government, and that limited government, born in the 1700s, gave free rein to the triumph of entrepreneurs in the 1800s, which helped build the United States into a superpower in the 1900s.

Most history texts are weak in analyzing economics and economic development. Few historians understand how capitalism works and how government intervention often stifles growth and hinders the very groups targeted for benefits. Schweikart and Allen, by contrast, have published widely on banking, entrepreneurship, and economic development. Rather than indulging in the usual "robber baron" line of attack, they describe how Carnegie and Rockefeller out-produced the world in steel and oil—which then drew millions of hard-working European immigrants to America's shores.

In writing on the twentieth century, Schweikart and Allen are critical of the growth of government. Many U.S. history texts are a thousand pages that can be condensed into ten words: Businessmen created problems; government repeatedly moved in to solve them. Schweikart and Allen, however, conclude that the Progressive movement, the New Deal, and the Great Society were often harmful to most groups of Americans, rich and poor alike. The progressive income tax is described as "irrational antipathy toward wealthy Americans." Antitrust laws produced "a burden of regulations [that] fell on unintended groups." By contrast, the tax cuts under Coolidge, Kennedy, and Reagan boosted economic development and sparked the creation of new industries.

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This non-mainstream, economically literate treatment of business and regulation is the book's greatest strength.

In foreign policy, Schweikart and Allen are controversial, but always interesting. For example, they call actions in Mexico and Oregon in the 1840s "a pair of the most spectacular foreign policy achievements in American history." (A good case can be made that our policy in this era was unnecessarily bellicose.) The authors also denounce communism ("just another political system") and laud Ronald Reagan for his Strategic Defense Initiative (SDI). They quote approvingly Vladimir Lukhim, former Soviet ambassador to the U.S., who said, "It's clear SDI accelerated our catastrophe by at least five years."

On the Civil War, Schweikart and Allen praise Lincoln for his unionism and for promoting emancipation. They disagree with the libertarian school, led by scholars such as Jeffrey Rogers Hummel in *Emancipating Slaves, Enslaving Free Men,* which argues with some validity that the Civil War set dangerous precedents for transferring authority to the central government.

Schweikart and Allen avoid the tendentiousness and simple-mindedness of most texts. People are complicated, and the authors let us know that: Calvin Coolidge encouraged limited government, but at the same time supported high tariffs; Reagan was on target with SDI, but "made a serious error" when he sent peacekeeping troops into Lebanon; our Declaration of Independence enshrined natural rights, but we denied them for a century or more to most black Americans.

In explaining the success of the American experiment, Schweikart and Allen, unlike many others, point not to vast fertile land and abundant raw materials, but to "more important qualities: initiative, inventiveness, hope, optimism, and, above all, faith." Also, ever since the arrival of the Puritans, Americans have had the vision that they were to be a "city on a hill," or to a later generation that broke from England, the "last best hope for mankind." Such a vision, the authors argue, help make America greater than the sum of its parts, its resources and its people—"a beacon of liberty."

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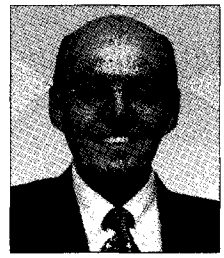
The Government-Created Right-to-Work Issue



BY CHARLES W. BAIRD

The principles involved in right-to-work laws are identical with those involved in [workplace antidiscrimination laws.] Both interfere with the freedom of the employment contract, in the one case by specifying that a particular color or religion cannot be made a condition of employment; in the other that membership in a union cannot be.

—MILTON FRIEDMAN, 1962

Since Friedman penned those words in *Capitalism & Freedom* (p. 115), union apologists have claimed him as an ally in their campaign to ban right-to-work (RTW) laws in the United States. Section 14(b) of the National Labor Relations Act (NLRA) permits states to pass RTW laws, which prohibit employers and unions from agreeing to include union-security clauses in their collective-bargaining agreements. A union-security clause forces all workers represented by a union to pay fees (dues) for its services. Unions have attempted unsuccessfully to repeal Section 14(b) since its enactment in 1947. Now the National Right to Work Committee is attempting to get Congress to enact a National Right to Work Act. Are RTW laws consistent with the freedom philosophy?

If unions were voluntary associations that represented only their voluntary members, and if bargaining were wholly voluntary, there could be no classical-liberal objection to a union agreeing with a willing employer to adopt a union-security clause. The employer and the union would be free to choose whether to bargain over and to consent to such an arrangement, and workers would be free to choose, on an individual basis, whether to accept employment on such terms. Such is the common law of contracts. Under these circumstances a classical liberal should oppose RTW laws.

However, under Section 9(a) of the NLRA, American unions are not organizations that represent only their voluntary members. If they are certified by majority vote among workers in a bargaining unit they become the exclusive (monopoly) bargaining agents of all workers in the unit, whether individuals agree or not. Individuals are even forbidden to represent themselves. This is usually justified on grounds of "workplace democracy." As F. A. Hayek wrote in 1949 ("The Intellectuals and Socialism"), this is an example of "making shibboleths out of abstractions." The First Amendment forbids deciding which church to attend on the basis of a majority vote enforced by government. Likewise, the First Amendment's principle of freedom of association forbids deciding which representative will represent all workers on the basis of a majority vote enforced by government. Democracy is a form of government. Government cannot rightly impose democracy on private decision-making. In the private sphere of human action, an individual's associations should not be subject to majority vote. Exclusive representation should be repealed.

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Correctly understood freedom of association in private affairs has two parts: First, any person has a fundamental right to associate with any other *willing* person or persons for any purpose that does not trespass against the fundamental rights of third parties. This is often called the positive right of freedom of association. Second, any person has a fundamental right to *refrain* from

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association with any other person or persons no matter how fervently these others may desire such association. This is often called the negative right of freedom of association. Logically, without a negative freedom of association, the positive freedom of association is meaningless. If A cannot refuse to associate with B, A does not have the (positive) freedom to choose with whom to associate. Freedom of association is irreconcilable with coerced association.

Economists define a free rider as one who receives net benefits from a collective action and can avoid paying for them due to the inherent nonexcludability of some goods. Unions and their apologists use the free-rider problem to justify union security. They argue that since a certified union is forced by law to represent all workers in a bargaining unit whether they approve of the union or not, all such workers must be forced to pay the union. Otherwise, they would get the benefits of union representation for free, and that would be unfair to those workers who willingly pay union dues.

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However, there is nothing inherent in any employment relationship that gives rise to a free-rider problem. It is an artifact of the NLRA. Congress created the free-rider problem in labor relations through exclusive representation. If a union bargained only for its voluntary members, only they would benefit. Other workers would be free to designate some other willing third party to represent them or to choose to represent themselves. If unions want to eliminate the possibility of any worker being a free rider, they should advocate repeal of exclusive representation. Without exclusive representation there would be no need for a National Right to Work Act because the question of union security would be moot.

The unions' free-rider argument amounts to saying that since Congress has violated individual workers' freedom of association with exclusive representation, Congress must also override individual workers' freedom of association regarding support of unions that represent them. According to union apologists, one violation of freedom of association compels another violation of freedom of association. I argue that, given the first trespass against freedom of association, a National Right to Work Act is a proper way to avoid the second trespass.

Forced Support Justified?

Many argue that exclusive representation is a fact of life that we all must accept. Therefore, forcing workers to support unions is justified. However, even with exclusive representation, it can never be proven that any worker free-rides on any collective-bargaining agreement. A forced rider is one who suffers net harms from some collective action and who is compelled to pay for them. Even if one grants that unions can raise the wages and salaries that are paid to some workers, it does not follow that even those workers, on a net basis, gain from union actions. Costs and benefits are inherently subjective. Suppose a worker gets a $10 wage increase due to a union's representation. No third party can prove that this benefits the worker more than, less than, or the same as the cost imposed by, for example, the disutility the worker suffers from being forced to associate with the union. Any worker accused by a union of being a free rider can argue, with just as much rigor, that he or she is a forced rider. It is a conceit to argue that Congress or any other third party can make that determination for any worker.

In sum we live a second-best world. If there were no NLRA classical liberals should oppose right-to-work. The ideal policy prescription from a classical-liberal perspective is to repeal the NLRA. Until that happens, in my view a classical liberal is justified in supporting RTW laws.

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